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British Columbia Liquor Distribution Branch

2003 – 2004 Annual Report

British Columbia Liquor Distribution Branch

ER, ENJOY AND SHARE THE EVOLVING WORLDS OF BEVERAGE ALCOHOL

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Mission

To be a customer focused, profitable retailer of beverage alcohol, dedicated to innovation, exemplary service, helpful product knowledge and social responsibility.

Vision

That our customers have the opportunity to discover, enjoy and share the evolving worlds of beverage alcohol.

Corporate Values

The Liquor Distribution Branch subscribes to six core values that we demonstrate in all our day-to-day activities with customers, business partners and fellow employees. They are:

- **Exemplary Service**
  We take pride in the quality of our work. We strive for excellence in serving customers and co-workers.
- **Public Safety and Social Responsibility**
  We encourage and support the responsible use of beverage alcohol.
- **Integrity**
  We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.
- **Respect**
  We treat all individuals with fairness, dignity and respect.
- **Teamwork**
  We support one another to achieve corporate goals.
- **Innovation**
  We encourage all employees to find innovative and creative ways to improve our business.

The LDB's mission, vision and values statements were updated in fiscal year 2003/04.

www.bcliquorstores.com

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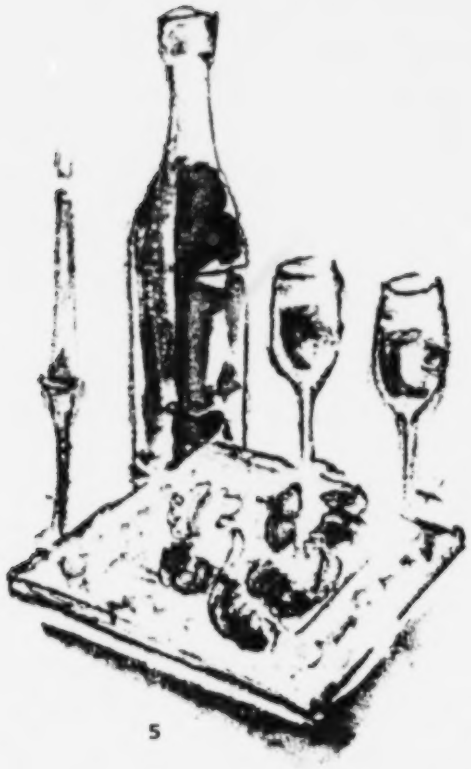

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Accountability Statement

The 2003/04 British Columbia Liquor Distribution Branch Annual report was prepared under my direction in accordance with the provincial government's *Budget Transparency and Accountability Act*. I am accountable for the contents of the report, including the selection of performance measures and the reported results. All significant decisions, events and identified risks, as of March 31, 2004 have been considered in preparing the report.

General Manager

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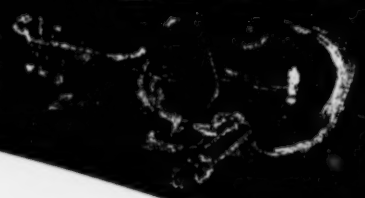
Message from the General Manager



I am pleased to report that for fiscal 2003/04 the Liquor Distribution Branch (LDB) exceeded its sales and net income objectives. The LDB ended the fiscal year with a net income of $727 million, an increase of $72 million over the 2003/04 Service Plan's target. The increase was largely due to increased sales, effective control of operating expenses and a $23 million reversal of restructuring costs. Gross sales of beverage alcohol for the year were $2 billion, representing a 6.0 per cent increase over the previous year and 5.5 per cent over budget.

Record sales in British Columbia resulted from increased sales of 4.6 per cent in spirits, 7.7 per cent in wine, 7.4 per cent in packaged beer and 2.3 per cent in ciders and coolers over the previous year. Spirit sales continued to be strong with significant increases in the vodka category. Both British Columbia Vintners Quality Alliance (VQA) and Australian wines continued to improve on their strong sales results from last year. Packaged imported beer had the greatest growth in the beer category, up 14.7 per cent over last year.

Recent government liquor policy changes have increased the number of private liquor retail outlets in British Columbia. As of March 31, 2004, British Columbia had 1,030 retailers of beverage alcohol, an increase of 123 over the previous year. There were 220 government liquor stores and 810 private sector liquor retail establishments including 431 licensee retail stores, 233 rural agency stores, 100 on-site British Columbia manufacturer stores (wineries, breweries and distilleries with retail shops), 24 off-site British Columbia manufacturer stores, 12 independent wine stores and 10 duty-free stores.

In April 2003, responsibility for the LDB was transferred to the Solicitor General, who is also responsible for the Liquor Control and Licensing Branch. The Solicitor General initiated a review of liquor policy issues that helped guide government in its commitment to ensure that liquor distribution and retailing policies continue to meet the needs of British Columbia customers, ensure public safety and protect revenue. During the fiscal year, the Solicitor General announced a number of policy changes that allow for greater opportunities in private liquor retailing, such as:

- increasing the wholesale discount to licensee retail stores from 10 per cent to 12 per cent,
- developing new regulations that allow retailers and suppliers to advertise the type, brand and price of liquor offered, and
- allowing licensee retail stores to relocate within the same local government boundaries or within a five kilometer radius if outside local boundaries, subject to municipal zoning approval.

In November 2003, the government and the BCGEU membership agreed on changes to the retail and distribution employees' collective agreement and extended it to March 31, 2006. The new agreement will allow the LDB to operate more effectively in today's retail environment. This will have a positive effect on the LDB's store operations and its contribution to provincial income.

Message from the General Manager

Throughout 2003/04, the LDB's commitment to the communities it serves continued to be demonstrated by our programs related to responsible use of alcohol and community fundraising. This year's Dry Grad campaign raised a record total of more than $192,500 to help fund alcohol-free graduation celebrations for high school students throughout the province. Our employees also raised an unprecedented $163,000, with the help of our industry suppliers Pernod Ricard and Gallo Wines of Canada, to support community charities throughout British Columbia.

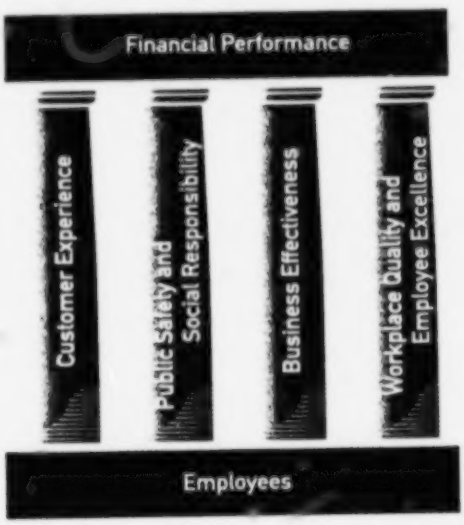
In closing, I sincerely thank our employees and business partners for their continued dedication to excellent customer service in the midst of transition and change. As we move into fiscal 2004/05 with a clear sense of purpose, we look forward to implementing store improvements and distribution efficiencies that will enhance service for both our retail and wholesale customers. Our renewed mission is "to be a customer focused, profitable retailer of beverage alcohol, dedicated to innovation, exemplary service, helpful product knowledge and social responsibility."

Jay Chambers
General Manager
June 21, 2004

Organizational Overview

The Four Pillars and High-Level Goals

For the past nine years, the Liquor Distribution Branch has organized its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance and at the foundation of the entire structure is the LDB's team of dedicated employees. The pillars encourage employees to achieve the branch's high-level goals.



The five high-level goals, as outlined in the Liquor Distribution Branch Service Plan 2004/05 – 2006/07, are:

Goal 1: Financial Performance
Maximize income within the policy guidelines established by government.

Goal 2: Customer Experience
Set the standard for excellence in retailing and wholesaling of beverage alcohol.

Goal 3: Public Safety and Social Responsibility
Encourage the responsible use of beverage alcohol.

Goal 4: Business Effectiveness
Manage business practices in a climate of continuous change with a focus on operating efficiencies and value added.

Goal 5: Workplace Quality and Employee Excellence
Create a safe and supportive work environment that both attracts and results in a skilled, motivated and enthusiastic workforce.

Organizational Overview

Governance

In British Columbia there are two branches that have responsibility for government's role in liquor retailing, distribution and regulation: the Liquor Control and Licensing Branch (LCLB) and the Liquor Distribution Branch (LDB). Both branches report to the Solicitor General. The LDB follows Crown Agencies Secretariat guidelines for service plans and annual reports.

The LCLB enforces the *Liquor Control and Licensing Act* and issues licences to:

- establishments that sell liquor by the glass for on-premise consumption (restaurants, pubs, bars, cabarets, etc.);
- licensee retail stores, for the sale of liquor for off-premise consumption; and
- manufacturers of liquor (wineries, breweries, distilleries) and Ubrews and Uvins operating in the province.

The LDB, under the authority of the *Liquor Distribution Act*, has the sole right to purchase beverage alcohol, both in and out of British Columbia, in accordance with the *Importation of Intoxicating Liquors Act (Canada)*. The LDB is responsible for the importation, distribution and retailing of beverage alcohol in British Columbia and operates government liquor stores and distribution centres in the province. The LDB is also responsible for the appointment of private retail agency stores.

The *Liquor Distribution Act* specifies that the minister must appoint a general manager and that the general manager is responsible for administering the *Act*, including the general control, management and supervision of liquor stores, subject to the orders, directions and supervision of the minister. The *Act* further clarifies the powers of the general manager and delineates the administration of the LDB and the operation of its liquor stores.

Business of the Liquor Distribution Branch

With a workforce of approximately 3,500 full and part-time employees, the LDB operates:

- 220 government liquor stores throughout the province;
- two distribution centres, one in Vancouver and one in Kamloops; and
- a head office facility in Vancouver.

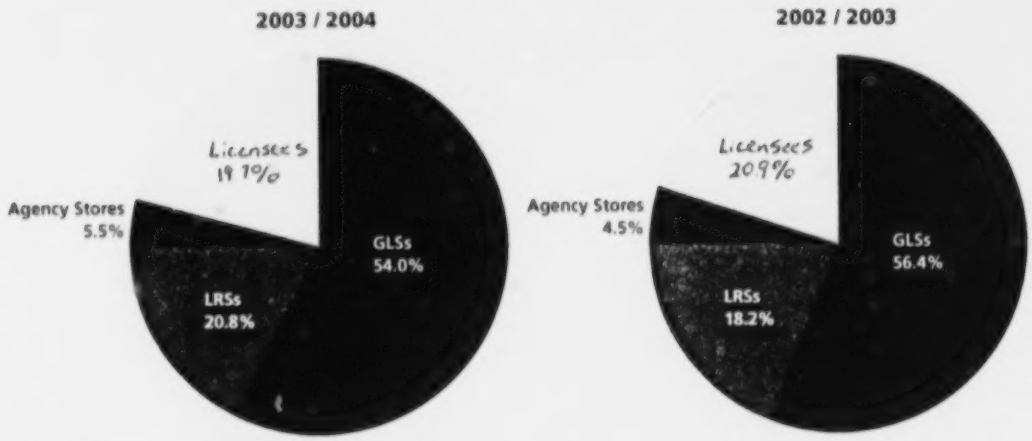
In order to provide beverage alcohol products and service throughout the province, the LDB issues appointments and enters into contracts that authorize terms and conditions with the private sector for the operation of private retail outlets, such as licensee retail stores, rural agency stores, British Columbia beverage alcohol manufacturer stores, independent wine stores and duty-free stores. These authorizations and agreements are in addition to any licensing terms that may be in place with the LCLB.

As of March 31, 2004, private sector retail establishments included:

- 431 licensee retail stores (LRSs);
- 233 rural agency stores (RASs);
- 100 on-site British Columbia manufacturer stores (wineries, breweries and distilleries with retail shops);
- 24 off-site British Columbia manufacturer stores (land-based wineries with off-site appointments, e.g., VQA wines);
- 12 independent wine stores; and
- 10 duty-free stores.

The LDB imports beverage alcohol from around the world and also buys from suppliers and manufacturers in British Columbia and other provinces. Licensed manufacturing sites in British Columbia include 91 wineries, 48 breweries and brew pubs, and one distillery. The LDB buys products from more than 400 manufacturers.

Percentage of Gross $ Sales by Retail Channel



LDB Customers and Stakeholders

Our customers are the people who buy our products and benefit from our services. The LDB's mixed customer base includes wholesale and retail business. As well a certain amount of products are sold and delivered directly by manufacturers to retail outlets, restaurants and bars. Sales to wholesale customers, such as licensee retail stores, rural agency stores, restaurants and pubs, represent approximately 46 per cent of total government liquor store sales, the remaining 54 per cent are sales to the public. Government liquor stores average 825,000 customer transactions per week.

Our stakeholders include the people of British Columbia, their elected officials, our employees, our business partners, and groups that share our concern for public safety.

To serve the interests of our customers and stakeholders, we:

- deliver quality products and services at competitive prices;
- distribute our products and services through a variety of liquor retail formats throughout British Columbia;
- manage the importation, transportation, warehousing and sale of liquor (with the exception of licensed premises) in a fair and impartial manner;
- promote the safe and responsible use of beverage alcohol; and
- implement policies to ensure our workplaces are safe and free of harassment or discrimination.

To fulfill our responsibilities to the government and people of British Columbia, we:

- maximize revenue to the government of British Columbia;
- enhance the LDB's value to the government and the people of British Columbia;
- develop and implement programs and services aimed at deterring the sale of beverage alcohol to persons who cannot provide valid proof of age, who appear intoxicated, or who are believed to be buying for either of these parties;
- ensure accountability of key business partners; and
- manage the LDB's business risks.

We are proud of our 220 government liquor stores. Our employees are trained to give exemplary service and to assist customers in finding the right products. Our selection of beverage alcohol products, both international and domestic, offers a wide variety and excellent value. As well as providing a high quality of service to our retail and wholesale customers, the LDB, in order to be fiscally responsible, continually looks for ways to become more efficient by managing operating expenses. Along with our government liquor stores, a variety of private retail outlets help to ensure that the public is well served. Our mixed public-private model in liquor retailing not only gives our customers more choice, but also encourages the growth of the small business sector in British Columbia.

2003/04 Year in Review

Government Policy and Direction

Over the last two years, the government's strategy for the distribution, warehousing and retailing of beverage alcohol was under review. When the Liquor Distribution Branch's 2003/04 – 2005/06 Service Plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the LDB would shift from the operation of warehouses and retail stores to the regulation of private sector warehouses and retail stores.

In April 2003, responsibility for the LDB was transferred from the Minister of Competition, Science and Enterprise to the Solicitor General. In May 2003, the Solicitor General announced a review of liquor reform options. In July 2003, the Liquor Reform Project was established, comprised of representatives of the LDB and the Liquor Control and Licensing Branch (LCLB), to ensure that liquor distribution and retailing continued to meet the needs of British Columbia customers, guard public safety, and protect government revenue and the interests of taxpayers. The project included a review of policies affecting alcohol pricing, private sector retailing, British Columbia's wine industry, and the LDB's beverage container recycling program. Over the course of the year, the Solicitor General communicated the new liquor policy decisions through a variety of forums, including industry conferences, letters from the general managers of each branch and labour announcements.

In October 2003, government and the B.C. Government and Service Employees' Union negotiated an extension, to March 31, 2006, of the collective agreement governing LDB store and warehouse employees. On November 21, 2003, the union conducted a ratification vote on the framework agreement and announced a "yes" vote on the collective agreement extension and the liquor component. Under the liquor component of the new agreement, concessions were made to allow for cost savings in a number of operational areas, including lower starting wages for seasonal employees and changes to employee work schedules. The government confirmed its commitment to operating a mixed public-private liquor retail and distribution system.

In November 2003, government announced changes for licensee retail stores, including policies relating to discounts, relocation and advertising. These included: increasing the wholesale purchasing discount from 10 per cent to 12 per cent; developing new regulations to allow retailers and suppliers to advertise the type, brand and price of liquor offered; and allowing LRSs to relocate within local government boundaries or within a five kilometer radius if outside local boundaries. During the fiscal year, no more applications for LRSs were accepted. Independent wine stores and VQA wine stores continued operating under government's existing terms and conditions, and the Rural Agency Store program was put on hold during the Solicitor General's review of liquor retail options.

Government also confirmed that the current public-private distribution channels would be maintained. In the previous fiscal year, the LDB had planned to develop and implement a new system whereby all beverage alcohol would have been distributed by private sector warehousers. In late 2003, government instead decided to maintain current direct delivery of products from British Columbia manufacturers with no expansion of the types of products delivered to retail outlets outside of existing distribution channels.

As a consequence of the above changes, while many of the 2003/04 performance objectives detailed in the LDB Service Plan remained the same, some have shifted over the course of the year, as seen in the Performance Report section of this Annual Report.

The LDB's responsibility to the public, however, has not changed. The LDB continues to ensure that liquor distribution and retailing in British Columbia meet the needs of customers and are conducted in a socially responsible manner. We continue to manage the revenue stream and maximize long-term economic benefits to British Columbians by regulating liquor retailing, warehousing and distribution.

Financial Performance Highlights

Sales of beverage alcohol in British Columbia continued on a record-breaking trend in fiscal 2003/04. Total sales for the year were $2 billion, an increase of $104 million or 5.5 per cent increase over the budget, and $113 million or 6.0 per cent over last year. All product categories performed ahead of budget projections with the exception of draught beer. The record sales resulted from increases of 4.6 per cent in spirits, 7.7 per cent in wine, 7.4 per cent in packaged beer and 2.3 per cent in ciders and coolers over the previous year. Spirit sales continued to be strong. Both British Columbia Vintners Quality Alliance (VQA) and Australian wines continued to improve their strong sales from last year. Packaged imported beer had the greatest growth in the beer category at 14.7 per cent. The annual increases in the number of retail outlets, namely 104 more licensee retail stores (LRSs) and three more retail agency stores (RASs), together with a three per cent markup increase in the last two periods of the fiscal year, also contributed to increased sales.

Sales by Major Category ($000s)

	2003/04	2002/03	2001/02	2000/01	2003/04 $ Change vs 2002/03	2003/04 % Change vs 2002/03
Domestic Spirits	336,258	323,847	306,006	306,052	12,411	3.83%
Imported Spirits	201,012	189,735	179,303	167,474	11,277	5.94%
Total Spirits	**537,270**	**513,582**	**485,309**	**473,526**	**23,688**	**4.61%**
Domestic Wine	176,614	168,091	158,145	146,643	8,523	5.07%
Imported Wine	272,267	248,566	232,719	220,669	23,701	9.54%
Total Wine	**448,881**	**416,657**	**390,864**	**367,312**	**32,224**	**7.73%**
Domestic Refreshment	52,850	53,810	56,152	61,568	(960)	(1.78%)
Imported Refreshment	40,018	36,947	29,946	13,106	3,071	8.31%
Total Refreshment	**92,868**	**90,757**	**86,098**	**74,674**	**2,111**	**2.33%**
Domestic Beer	779,492	740,077	721,081	714,182	39,415	5.33%
Imported Beer	127,770	112,978	98,844	78,219	14,792	13.09%
Total Beer	**907,262**	**853,055**	**819,925**	**792,401**	**54,207**	**6.35%**
Miscellaneous/Special Orders	11,942	11,244	10,681	11,268	698	6.21%
Total Sales	**1,998,223**	**1,885,295**	**1,792,877**	**1,719,181**	**112,928**	**5.99%**

Sales by Major Category Litres (000s)

	2003/04	2002/03	2001/02	2000/01	2003/04 $ Change vs 2002/03	2003/04 % Change vs 2002/03
Domestic Spirits	14,390	13,965	13,322	13,363	425	3.04%
Imported Spirits	7,207	6,821	6,454	6,047	386	5.66%
Total Spirits	**21,597**	**20,786**	**19,776**	**19,410**	**811**	**3.90%**
Domestic Wine	19,888	19,207	18,639	17,627	681	3.55%
Imported Wine	19,199	17,965	17,052	16,306	1,234	6.87%
Total Wine	**39,087**	**37,172**	**35,691**	**33,933**	**1,915**	**5.15%**
Domestic Refreshment	12,825	12,911	13,582	14,759	(86)	(0.67%)
Imported Refreshment	7,000	6,613	5,282	2,163	387	5.85%
Total Refreshment	**19,825**	**19,524**	**18,864**	**16,922**	**301**	**1.54%**
Domestic Beer	237,148	231,805	233,949	239,506	5,343	2.30%
Imported Beer	29,429	27,208	24,409	19,297	2,221	8.16%
Total Beer	**266,577**	**259,013**	**258,358**	**258,803**	**7,564**	**2.92%**
Miscellaneous/Special Orders	207	209	272	229	(2)	(0.96%)
Total Sales	**347,293**	**336,704**	**332,961**	**329,297**	**10,589**	**3.14%**

2003/04 Year in Review

Product Trends

Beer

Beer sales led all other categories of beverage alcohol in terms of dollars and litres.

A small decline in LDB stores' domestic beer sales ($1.8 million or 0.6 per cent) was more than offset by significant increases in the private retail channels, with sales in LRSs up $31 million (14.8 per cent) and sales in RASs up $13.5 million (41.2 per cent).

Imported beer sales increased significantly in all three retail channels, with LDB sales up $6.6 million (13.5 per cent), LRS sales up $6.8 million (29.3 per cent), and RAS sales up $1.7 million (73.9 per cent).

Seven of the top ten beer producing countries had growth in excess of $1 million. Brazil leads all foreign countries with an increase of over $5 million, followed by the United States which was up almost $4 million. The only country in the top 10 that did not register an increase was England, which was down marginally by $49,000. See Appendix C.

A Marca Bavaria from Brazil was the leading growth brand, increasing sales by $5.3 million this fiscal year. Corona Extra retained its place in the top tier of growth brands despite the addition of Corona Light, which also made the top 10 list. Four of the top six growth brands are sold in clear bottles. See Appendix D.

Spirits

Spirit sales were second in dollar sales and third in terms of litres compared to other categories.

Sales increases of spirit products were primarily the result of increases in the number of private sector sales outlets.

Licensee retail stores (LRSs) increased their spirit sales by $22.1 million or 43.7 per cent over the previous fiscal year (which was their first year retailing spirits). Rural agency stores (RASs) increased their spirits sales by $4.5 million or 25.6 per cent over the previous year.

Dollar sales increased more than volume sales, indicating a continuing trend to purchase premium brands, but also reflecting price increases toward the end of the fiscal year. The exceptions were Scotch whisky, which saw significant migration to lower-priced segments, and tequila, for which prices have declined as supply levels stabilized. See Appendix E.

Vodka sales were flat in LDB stores and up significantly in private outlets. In the Canadian whisky category, sales increased in LRSs and in RASs, which more than offset a sales decline in LDB stores and helped the total Canadian whisky market increase. Rum sales grew in LRSs and in RASs, compared with a decline in LDB stores. Sales of liqueurs grew overall, driven by an increase of sales in LRSs and in RASs and a decrease in LDB stores. Scotch whisky experienced growth in all retail channels. The popularity of gin continued in all retail channels, resulting in an overall sales increase. Tequila continued its comeback from chronic shortages and inflated prices in previous years with increased sales in all retail channels.

Nine of the 10 leading growth brands are premium-priced and internationally recognized brands, underlining the brand-consciousness of contemporary consumers. Four of the top 10 growth brands in this category are vodka, reinforcing its position as British Columbia's most popular spirit product. See Appendix F.

Wines

Imported wine sales increased by a greater value than domestic wine sales for the first time in the last four years. Dollar gains exceeded volume gains.

LDB stores continued to generate the most substantial growth in the wine category, with sales up $15.9 million compared to $5 million in the LRS outlets and $3.6 million through private wine shops and rural agency stores.

Australia was by far the growth leader in the wine category, with an increase of $19 million (33.2 per cent) in sales. Volume growth was greater than value growth as the category migrated to a number of new entries at lower price points. Canadian wines continued to have strong sales growth, with an increase of just under $11 million (6.1 per cent). Italy, Spain and Argentina rounded out the wine countries with growth in excess of $1 million, driven primarily by brands that represented exceptional value. See Appendix G.

Yellow Tail from Australia was the runaway growth leader with three of the top six red wines, generating a cumulative increase of $7 million. The remaining red wines tended to be from moderately-priced segments with the exception of Wolf Blass Yellow Label, which continues to draw new consumers at a comparatively higher price point. See Appendix H.

Yellow Tail also led the way in white wine growth with sales of its Chardonnay increasing by $1.3 million. Canadian wines were well represented with six wines in the top 10 of the white wine category. The only non-Canadian or non-Australian wine in the top 10 was the Italian white Farnese Trebbiano, which benefited enormously from the phenomenal growth of its red counterpart Farnese Sangiovese. See Appendix I.

British Columbia VQA sales for the 2003/04 fiscal year increased by 11 per cent to $79 million. British Columbia VQA table red wines have grown by 17 per cent and performed much like red wine growth in the import table wine categories. Varietals like Merlot, Shiraz/Syrah and Bordeaux blends like Cabernet Merlot have seen the greatest increase over the course of the year. For table whites the growth was 11 per cent with Pinot Gris/Grigio being a particularly strong contributor. With 83 operating grape wineries in the province and many more pending, the category is strong with homegrown premium VQA wines. See Appendix J.

Refreshment Beverages

This fiscal year the domestic segment of the category was down 1.8 per cent in dollars and down 0.7 per cent in volume.

Sales of imported refreshment beverages were up 8.3 per cent in dollars and up 5.9 per cent in volume. The growth in sales of imported products was primarily driven by two brands: Woody's Coolers and Vodka Mudshakes.

The top-selling brands were Smirnoff Ice and Growers Extra Dry Apple. There was some levelling off of sales of the more established spirit cooler brands, which resulted in the noted category decline, however ciders gained some sales, primarily driven by new flavour entries. See Appendix L.

The top growth brands were Smirnoff Ice Triple Black and Bacardi Breezer Tropical Orange which were new brands introduced this year. See Appendix M.

Customer Experience

The Matters of Taste magazine was published four times during the year with approximately 205,000 copies distributed. Product profiles, food and wine pairings, recipes and value recommendations gave BC Liquor Stores customers a variety of information to enhance their shopping experience. Some of the products that were featured in the magazine were also displayed in stores with shelf labels to provide information on wines of exceptional quality and value. A standard feature of the magazine was the BC Homegrown page featuring in-house and external experts in the British Columbia wine and craft beer industries. Continued advertising support from the supplier community allowed the magazine to grow and become a standard marketing tool for BC Liquor Stores and industry.

The online beverage alcohol information source at *http://www.bcliquorstores.com* served more than 30,000 visitors each month during fiscal 2003/04. Modifications were made to the design of the product search tools, and the home page was updated with flash clips linked to the Matters of Taste section and online food and beverage articles.

In the aftermath of the wildfires in the Okanagan, LDB stores provided support to the British Columbia wine industry with a new promotion that included display signs, shelf labels and wine route brochures. There were also two programs supporting the BC Wine Institute's theme of "VQA wine, it's what you bring to the table" during June and September.

Spice up your Life is the LDB food and wine-pairing program featuring ethnic recipes that use exotic or traditional spices. During fiscal 2003/04, our in-house food specialist and product experts provided wine recommendations to compliment the dishes featured on collectible recipe cards.

The LDB also supported the promotional efforts of various wine-producing countries and regions by working with trade commissions and consulates from areas such as California, Chile, Italy, South Africa, New Zealand and Australia. Programs included store displays, trade events and tastings in LDB stores.

The LDB operated an on-site liquor store during the 26th Vancouver Playhouse International Wine Festival in March 2004. The store offered wines available exclusively at the festival and gave customers the option of picking up their festival purchases at their local liquor store. Over three days the on-site store generated sales of $258,682. The store sold more than 13,500 bottles of wine and the festival was attended by more than 10,000 people. The festival is one of the largest and most prestigious wine festivals in North America.

Public Safety & Social Responsibility

The LDB demonstrated its ongoing commitment to public safety, continuing to ensure the responsible retailing of beverage alcohol by declining sales to minors and intoxicated individuals. Customers are advised that if they appear to be 25 or younger, two pieces of ID will be requested, as is required by all liquor retailers and servers in the province. The LDB continued training employees in the best practices of responsible beverage service as part of its violence prevention training program.

The LDB's responsible use awareness program continued with eight different in-store campaigns in fiscal 2003/04. Topics included Fetal Alcohol Spectrum Disorder (FASD) prevention, seasonal holiday safety reminders and responsible hosting guidelines.

As part of its commitment to public safety, the LDB offered the Safe Ride Home program at 17 beer and wine festivals throughout the province. Now in its seventh year of operation, Safe Ride Home distributed approximately 2,250 transit tickets to help ensure that patrons of beer and wine festivals arrived home safely.

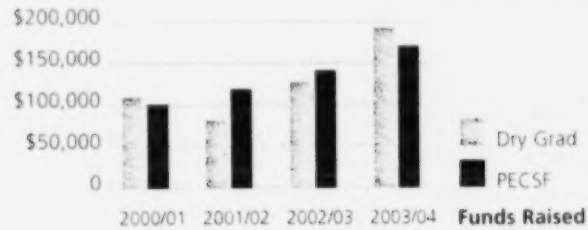
The LDB continued to educate its staff and customers about the risks of drinking alcohol during pregnancy. In addition to an annual in-store campaign targeting FASD awareness, the LDB distributed 7,000 brochures and 145 posters that had been previously developed in consultation with the British Columbia FAS Society and endorsed by British Columbia doctors, nurses and midwives. These materials were available to customers, as well as to health care and community workers across the province and across the country.

Charitable Activities

In support of public safety, government liquor store customers donated a record total of $192,984 for alcohol-free high school graduation celebrations to help prevent underage drinking throughout British Columbia. For every dollar donated from February 1 to March 13, 2004, BC Liquor Store customers received a chocolate hedgehog from The House of Brussels Chocolates. One hundred per cent of the donations went to local school districts for distribution to high schools planning dry grad activities.

This year, 54 school districts participated in the campaign. The contributions by liquor store customers top up funds raised by parents, students and teachers who work all year to raise money for dry grad events.

The Surrey school district led the province with $16,692 in donations from the nine liquor stores in the area. Fourteen other school districts received more than $4,000: Kootenay-Columbia, Chilliwack, Langley, Delta, Richmond, Vancouver, Burnaby, Maple Ridge-Pitt Meadows, Coquitlam, North Vancouver, Howe Sound, Prince George, Peace River North and Qualicum.



The Provincial Employees Community Services Fund (PECSF) is a fundraising campaign supported voluntarily by staff throughout the provincial government. Proceeds are raised through employee contributions and special fundraising events, with 100 per cent of the money going to a variety of British Columbia charities.

For the 2003/04 PECSF campaign, LDB's Hollywood-themed campaign "Break the Box Office," employees raised an unprecedented $163,000, far surpassing the $150,000 goal. A highlight of the campaign was donations by major suppliers through product sales in LDB stores. Pernod Ricard contributed $17,000 and Gallo Wines of Canada contributed $5,000.

In the fall of 2003, British Columbia was ravaged by forest fires that devastated homes in several interior communities. BC Liquor Stores assisted the Red Cross in its forest fire relief fundraising efforts by placing donation containers in stores throughout the province, raising almost $32,000 in less than three weeks.

Every November and December, BC Liquor Store customers are invited to buy twin teddy bears for $10. One bear goes home with the customer, while the other is donated to a charity chosen by liquor store staff. The popularity of the Twin Bear program continues to grow and the fifteenth year, 2003, was the most successful ever. The generosity of our customers and LDB employees resulted in more than 21,000 bears being donated to children's hospitals, burn units, Christmas bureaus and shelters. Since the LDB began this program in 1989, more than 189,000 bears have been donated to British Columbia charities.

Recycling

Provincial environmental regulations require most beverage products to be included in a stewardship program that collects and recycles used containers. There are three agencies that manage beverage container stewardship programs in British Columbia:

- Encorp Pacific for non-alcoholic beverage containers;
- Brewers Distributor Limited (BDL) for refillable beer, cider, cooler bottles and cans; and
- the LDB for wine and spirit containers and non-refillable beer, cider and cooler bottles.

During 2003/04, the LDB's Beverage Container Stewardship program recycled approximately 145 million containers, diverting 55 million kilograms of waste from British Columbia landfills. The program achieved a recovery rate of 91 per cent, exceeding the target by six per cent.

Through its ongoing relationship with Encorp Pacific Inc., which has a province wide network of 160 bottle depots, the branch was able to increase the diversion of container returns from liquor stores to a network of 160 bottle depots. In fiscal 2003/04, total container returns to BC Liquor Stores were reduced by 4.5 per cent.

Statistics for Containers in LDB Stewardship Plan

Fiscal Year	Containers Returned (Millions)	Return Rate
1999/00	79	85%
2000/01	90	85%
2001/02	112	86%
2002/03	133	91%
2003/04	145	91%

Source: LDB Stewardship Plan Report to the Ministry of Water, Land and Air Protection.

Business Effectiveness

The Distribution department also helped the branch achieve its goals in terms of business effectiveness and customer service. The LDB's two distribution centres in Vancouver (VDC) and Kamloops (KDC) processed approximately 8.8 million cases in 2003/04, 7.1 million through VDC and 1.7 million through KDC. VDC served 155 government liquor stores and KDC served 65 in the province. The department was also instrumental in supporting store operations with direct deliveries to licensee retail stores, rural agency stores and private wine stores.

Deregulation

In the last two years, the LDB removed many of the rules in its policies and procedures as part of the provincial government initiative to eliminate unnecessary red tape, keeping only the requirements necessary to fulfill its mandate.

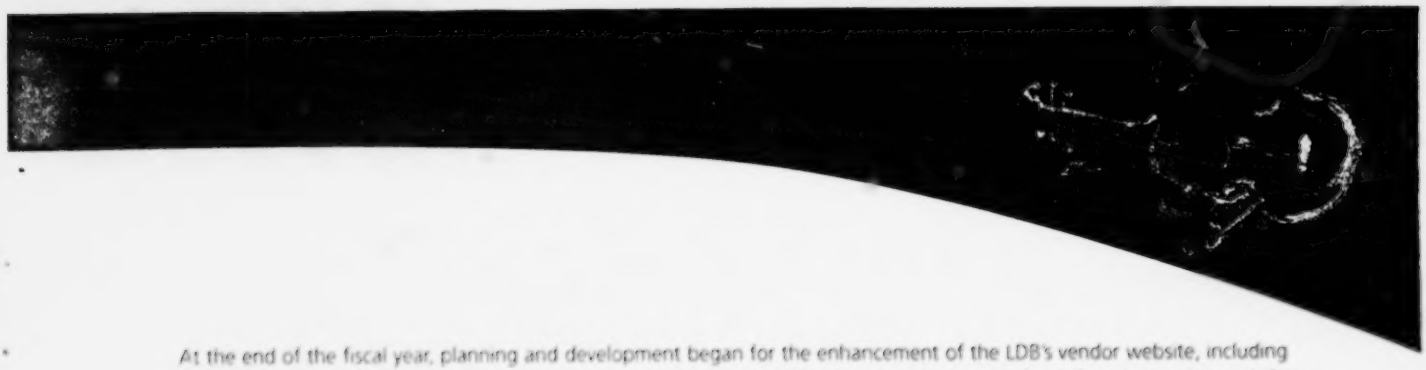
The LDB's deregulation initiative supported government's goal of building a strong and vibrant provincial economy by boosting efficiency, reducing costs and stimulating innovation in the private and public sectors. The LDB continued to reduce and streamline the administrative requirements for warehouses, agents and suppliers.

On July 1, 2003, a new federal Excise Act was implemented, streamlining the financial administration of all Canadian liquor jurisdictions. The Canada Revenue Agency (CRA) mandated changes in reporting and in the customs release of import wines and import spirits. The LDB, as Importer of Record, implemented system changes with CRA-approved software to be in compliance with the federal legislation and regulations. This allowed for a significant reduction in reporting requirements for British Columbian commercial wineries.

Other changes, such as product returns upon operation closure, and insurance and cash register requirements for private retailers were changed to reduce the administrative burden on private retail stores, rural agency stores and licensees. In addition, tender and contract requirements for LDB bidders and vendors were streamlined and modified.

Technology

The LDB increased its use of web-based technology and the Internet to deliver information and improve business functionality. The LDB's online initiatives also supported our connection to the production industry. Agents and suppliers of beverage alcohol to the LDB used the secure website *http://www.vendor.bcliquorstores.com* to manage their applications for new listings and download industry information and sales data. The vendor website processed 3,150 applications in the last fiscal year.



At the end of the fiscal year, planning and development began for the enhancement of the LDB's vendor website, including the addition of a product registration process to streamline approval for those products carried only by private sector retailers in British Columbia. Product and inventory availability information was provided to stores and head office on the LDB's intranet website to help improve the efficiency of our supply chain.

Other business effectiveness highlights included:

- The installation of handheld scanners in 90 stores;
- A strategy to consolidate technology platforms that will result in a reduction in mainframe usage;
- An upgraded security infrastructure, significantly improving computer systems security services and allowing secure remote access to business users and support personnel.

Sales Data

In support of LDB customer service and business effectiveness, Information and Privacy Office staff continued to fulfill industry requests for sales information, mainly to suppliers and agents. The sales data service was expanded to include daily, weekly and monthly data, improving the ability of the LDB's industry partners to pinpoint marketing trends, determine opportunities and measure performance.

The data assisted suppliers and agents in marketing appropriate products in geographic regions where they can successfully be sold, thus contributing to the overall success of the LDB. The data service also helped suppliers and agents get the right product selection to the right place at the right time. This resulted in satisfied customers, which benefitted the LDB and its business partners.

Emergency Management

The LDB's Emergency Management Program continued to support our financial performance, business effectiveness, workplace quality goals and public safety. The Emergency Management Program provides the tools and direction required to continue to operate the business in the event of an emergency or disaster. The program also provides the necessary direction to ensure the timely resumption of all key resources necessary to operate the LDB's critical business processes.

During this past fiscal year, emergency procedure testing continued with twice yearly practices of both the earthquake and fire drill procedures. Monthly emergency drills were the subject of discussion and review during Safety Committee meetings. This ongoing review continued to clarify measures and enhance the support for the proper responses and safety measures.

Electronic reporting of the maintenance and updating of the LDB's business continuity plans was finalized this past fiscal year. All store business continuity plans will now be updated on a semi-annual basis and this will be expanded to include all Head Office plans.

In the past summer, British Columbia wildfires impacted a number of BC Liquor Store locations and the Kamloops Distribution Centre. The Emergency Management Committee met to review and recommend appropriate emergency responses in each of the LDB stores in forest fire areas. The LDB's key business functions and processes were recovered, maintained and restored as quickly as possible and the learning opportunity led to a number of recommendations that will enhance the LDB's ability to fulfill its emergency management responsibilities.

Workplace Quality and Employee Excellence

The Liquor Distribution Branch underwent considerable change over the past two years, as government examined its role in liquor retailing and distribution in the province. Throughout this period of change, the employees of the LDB maintained their focus on providing excellent customer service.

2003/04 Year in Review

Recruitment and Development

In addition, the LDB began the important tasks of rebuilding its workforce, filling vacancies created through attrition and downsizing, and working with union representatives on the implementation of the collective agreement. At the same time, the LDB continued to focus on the important and ongoing business issues of developing staff, enhancing service to customers and providing a safe and productive workplace.

The Training & Development unit of Human Resources continued to support the effectiveness of the store and distribution system and head office by providing management and leadership training. The highly interactive programs provided current and potential store, head office and distribution managers with training in the areas of leadership, team building, conflict resolution and change management.

Managing change was a recurring theme in managers' meetings and training was delivered to mid-level managers and store managers throughout the province to assist them in managing effectively in a climate of constant change.

The Training and Development unit continued to deliver excellent customer service and product knowledge training to support Retail Operations in the provision of enhanced service to customers. The two-day Progressive Retailing course was restructured into a single-day Frontline Selling Skills course, focusing on the delivery of excellent customer service, demographics and beverage industry trends, the selling process, displays and merchandising. The LDB also participated in product training programs sponsored by industry partners.

The prevention of violence in the workplace continues to be an LDB priority. Training and Development staff continued to deliver an interactive workshop allowing participants to develop a personal, customer-friendly approach to averting potential violence. A half-day Due Diligence workshop was also delivered to raise awareness of safety issues and highlight the responsibilities and accountabilities of store managers and assistant managers. Safety audits and risk assessments remained a part of service plan reporting, emphasizing with all employees the importance of workplace safety.

The Human Resources department continued its support to LDB stores, distribution centres and head office in the areas of rehabilitation and ergonomic services, claims management and the development and distribution of information on health and lifestyle issues.

Report on Performance

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#1 Financial Performance	1.1 **Revenue and Net Income:** Achieve revenue and income targets	Total Sales $2.0 billion	$1.89 billion	**Target exceeded by 6% - $104 Million** Total Sales: 03/04 Actual $2.00 billion, Target $1.89 billion; 02/03 Actual $1.89 billion, Target $1.80 billion; 01/02 Actual $1.79 billion, Target $1.72 billion Achieving revenue targets is an important driver in reaching our financial performance goal. Total sales include sales through the government liquor stores and direct delivery sales to private retailers and licensees. Total sales for fiscal 03/04 were 6% over the target. Contributing factors included an increased number of private liquor outlets, an increase in the markup rates effective February 1, 2004, and a hot dry summer in 2003.
		Net Income $727 million	$655 million	**Target exceeded by 11% - $72 million** Net Income: 03/04 Actual $727 million, Target $655 million; 02/03 Actual $654 million, Target $640 million; 01/02 Actual $637 million, Target $616 million Net Income (total revenue less total expenses) is a measure of financial performance. It is the LDB's financial contribution to the province of British Columbia. The $72 million additional income to target was a result of increased sales, effective control of operating expenses and a $23 million reversal of accrued transition costs set aside in the past two fiscal years for the LDB's plans to discontinue liquor retailing and distribution.
	1.2 **Operating Expenses:** Manage expenses	Total Expenses $215 million	$245 million	**Target surpassed - $30 million under budget** Total Expenses: 03/04 Actual $215 million, Target $245 million; 02/03 Actual $255 million, Target $232 million; 01/02 Actual $232 million, Target $215 million Managing operating expenses is critical to achieving financial performance targets. It is difficult to compare the three years of performance at a glance because a number of transition cost accruals and reversals were made in anticipation of the LDB discontinuing the warehousing, distribution and retailing of beverage alcohol. Actual 02/03 figures include $28 million of such costs, of which $23 million was reversed in 03/04. Taking these types of expenses out of the numbers above, the actual expenses for the years would have been: 03/04 - $238 million; 02/03 - $227 million; 01/02 - $226 million.

Report on Performance

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#2 Customer Service	2.1 **Customer Satisfaction:** Maintain retail and wholesale customer satisfaction with GLS service during the transition to private sector retailing	Quantitative measure to be developed	December 2003	**Measurement postponed** When the 2003/04 to 2005/06 service plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the Liquor Distribution Branch (LDB) would shift from the operation of warehouses and retail stores to the regulation of private sector warehouses and retail stores. Customer Service has always been a key component of LDB service plans and this measure was intended to enable the LDB to monitor customer service levels while discontinuing its retail and distribution operations. Subsequent to the establishment of these targets, government decided to continue with a mixed public-private liquor retail and distribution system. Subsequently, the LDB postponed the development of quantitative measures and customer service surveys. Consumer research has now been incorporated in the 2004 – 2005 fiscal year Service Plan.
		Customer satisfaction rate	90%	
	2.2 **Supplier & Industry Partnerships:** Continuously elicit advice and input regarding retailing and distribution of beverage alcohol in British Columbia from industry stakeholders	Meetings with Liquor Industry Advisory Committee	4 to 6 meetings	**Target partially achieved** The LDB met regularly with industry and supplier groups, eliciting input and providing information regarding the distribution and retailing of beverage alcohol in British Columbia. A liquor industry advisory committee was not established due to the government's liquor policy review. In 2003/04, the following groups continued to meet with LDB staff: Import Vintners and Spirits Association - 4 meetings British Columbia Distillers Council - 4 meetings British Columbia Wine Institute - 2 meetings Beer Category Management - 2 meetings (commercial, craft & import brewers participated) BC & Yukon Hotel Association - 5 meetings BC Liquor Licensee and Retailers Association - 5 meetings Warehousers and Distributors - 2 meetings In addition to those noted, many general business meetings with some or all parties from the above groups took place on a regular basis. During the year the primary topics of discussion were: - the future of liquor distribution in British Columbia - retailing beverage alcohol in British Columbia - the distribution of beverage alcohol products - business opportunities from promotions through to pricing - other matters of mutual concern such as sales representative activity, product performance issues, store activities and training opportunities.

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#2 Customer Service (cont'd)	2.3 **Retail Network**: Continue to support and expand the network of private sector retail facilities through the closure of GLSs	Minimum number of GLSs to be closed	30 to 40	**Objective cancelled** When the 2003/04 to 2005/06 service plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the Liquor Distribution Branch (LDB) would shift from the operation of retail stores to the regulation of private sector retail stores. The LDB planned to achieve this objective over a number of years in last year's Service Plan, however, subsequently government decided to continue with a mixed public-private liquor retail system. Subsequently, this objective was no longer consistent with the LDB's revised mandate and no stores were closed.
		Community analysis for every GLS closed	100%	
	2.4 **Deregulation**: Increase opportunities for private sector businesses to improve their competitiveness and efficiency by simplifying and reducing requirements imposed by LDB administrative policies and governing legislation	Reduction in number of regulatory requirements	35%	**Target exceeded – 38.5% reduction** Red tape reduction is a key government commitment that is intended to improve the economic competitiveness of the province. In fiscal year 2003/04 the LDB set a red tape reduction target of 35%. Actual reductions were 38.5%. Going forward, the LDB will continue to monitor the operating environment to ensure that the regulatory burden is minimal.
#3 Business Effectiveness	3.1 **Distribution**: Develop, implement and regulate a model for the distribution of all beverage alcohol products by private sector distributors	Alternative distribution model for wholesale customers	Completed by July 2003	**Objective cancelled** When the 2003/04 to 2005/06 service plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the Liquor Distribution Branch (LDB) would shift from the operation of warehouses (distribution centres) to the regulation of private sector warehouses. The LDB had planned to establish an alternative distribution model by July 2003. Subsequent to the establishment of this objective, government decided to continue with a mixed public-private liquor distribution system. As a result of that decision, this objective was no longer consistent with the LDB's revised mandate and the development of an alternative distribution model was discontinued. During this period, there were no plans to invest in distribution centre operations because the LDB was planning to discontinue these operations. Now that the decision has been made to continue distribution operations, objectives to improve distribution efficiency and service levels have been incorporated in the 2004/05 fiscal year Service Plan.
		LDB distribution discontinued July 2004	N/A	

Report on Performance

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#3 Business Effectiveness (cont'd)	3.2 **Supply Chain Management:** Continuously ensure that the right products are at the right place at the right time and in the appropriate quantity to meet or exceed customer expectations	Stock-out reports by area managers, industry partners or customers	No reports of GLS shelf stockouts of core products	**Achieved 97.3%** The LDB works closely with its suppliers, agents, warehousers and distributors to ensure that the products carried in British Columbia are available to meet all customers' expectations. An in-stock fill rate of 97.3% for core products was maintained through fiscal 2003/04. The 2.7% shortfall was caused by supplier shortages, particularly new products with greater demand than supply (examples: Yellow Tail Shiraz, Bacardi Breezer Orange Smoothie). During the year there were no reports of shelf stockouts on core products, with the exception of the two days prior to Christmas. In this case, store stock was available, however, some items may have been depleted from shelves for brief periods of time due to the exceptionally high volume of business. In 2003/04 the increasing use of the LDB online database allowed for in-depth segment and product analysis. This information was utilized by LDB area managers and stores, as well as suppliers and agents. Information regarding product performance and details such as demographic draw, product segmentation and category management ensured good supply chain management
		In-stock core products in GLSs	100% for every period	
	3.3 **Technology Improvements:** Continuously plan and implement business applications and supporting infrastructure to assist in the transition to the new model	Enterprise business intelligence (Online Database)	Collect inventory data from private sector distributors and LDB	**Target incomplete** The LDB's online database now contains daily inventory history for LDB stores and distribution centres. It also contains the latest inventory position (snapshot only) for products stored by third-party warehousers.
			Replace data warehouse system	**Target Deferred** As a result of the government's decision to continue with a mixed public-private liquor retail and distribution system, this initiative was not completed. Work is in progress, however, and completion of this initiative is dependent on the replacement of the mainframe Financial Reporting system, which is currently under review.
		Architecture solutions & implementation	Reduce mainframe usage by further 33%	**Target substantially achieved** This technology improvement objective was established to consolidate platforms by eliminating use of the MVS mainframe in order to reduce operating costs. The LDB achieved an actual reduction of 29%, which saves an estimated $75,000 per year. This reduction has been accomplished through the elimination or re-writing of a number of applications and reports. A majority of the remaining mainframe applications are for financial processing. A financial systems review is currently underway, the results of which will determine the rate of further reduction of mainframe applications.
		PPIMS migration	Deliver feasibility reports re: PPIMS migration to CHIPS	**Target achieved** A review, analysis and business case of moving the LDB to the government payroll system (CHIPS) was completed. The outcome of the review was that the best business case is to maintain the PPIMS system.

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#3 Business Effectiveness (cont'd)	3.4 **Emergency Management:** Maintain, update and test emergency management program which will ensure that corporate and operational needs are met by providing optimum emergency responses with the least impact to LDB assets	Emergency procedure testing	Twice per year	**Target achieved** April and Sept/03 earthquake and fire evacuation drills were completed. A seismic trigger alarm at the LDB's warehouse in Vancouver is tested annually and was tested this fiscal 2003. Monthly safety committee meetings consisted of reviewing emergency procedures and the results of any emergency drills completed during the preceding month.
		Product recall testing	Implement semi-annual testing	**Target exceeded** Eight incidents of product recall were recorded in fiscal 2003/04. Four of these involved national quality control recall initiatives while four others consisted of provincial quality control recalls that were not related to health issues. The recalls were handled efficiently and effectively as per LDB product recall procedures. As a result no recall tests were performed due to the occurrence of "live" recalls.
		Maintenance & updates to business continuity plans (BCPs)	Targets TBD after development of update procedures	**Target achieved** Updating and maintenance procedures were finalized and targets were set to update the BCPs every six months. The BCPs were updated in June 2003 and March 2004 and are also being updated as and when required (due to staff changes). Semi-annual reporting to government has been completed – July 2003 and January 2004.
#4 Workplace Quality	4.1 **Workforce Planning & Management:** Ensure that corporate and operational needs are met by the ongoing planning for, and maintenance of, a qualified and motivated workforce in an environment of change	Workforce strategy and succession planning process to be developed	Completed by December 2003	**Target deferred to 2004/05** When the 2003/04 to 2005/06 service plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the Liquor Distribution Branch (LDB) would shift from the operation of warehouses and retail stores to the regulation of private sector warehouses and retail stores.
		Quantitative measures to be developed after completion of plans	TBD	Subsequent to the establishment of this objective, government decided to continue with a mixed public-private liquor retail and distribution system. As a result of that decision, the focus of this planning process changed and the activity was deferred to 2004/05.
	4.2 **Health & Safety:** Continue to manage effective corporate safety and health programs to promote workplace safety, provide a healthy work environment and to achieve reductions in leaves	Annual safety inspection/audit	100% by end of 1st quarter	**91% achieved** The LDB is implementing an electronic tracking process this fiscal year which will assist in monitoring and following up on the completion of safety audits with a goal of 100% compliance.
		Monthly safety program review	100% each quarter	**80% achieved** As with annual safety audits, the LDB is moving from a labour- intensive manual tracking process to an electronic process which will allow timely follow-up and correction to achieve our target of 100% compliance.

Report on Performance

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#4 Workplace Quality (cont'd)		STIIP claim costs	Not more than 4% of payroll	**Exceeded target – 2.9%** Short-term injury/illness employee leave costs as a percentage of payroll. The target for STIIP claim costs was established in anticipation of the LDB closing a minimum of 30-40 stores during the fiscal year, as well as closing down its two distribution centres. This did not occur, and as a result it was a contributing factors in reduced employee STIIP costs.
		WCB claim costs	Not more than 0.6% of payroll	**Achieved – .58%** Workers compensation claim costs were .58% of payroll.
	4.3 **Individual and Organizational Development:** Continue to have training and development programs in place to sustain a viable organization and support strategic objectives during the transition to a new model	Total number of person/days of training	2,150	**Target substantially achieved** Total person/days of training achieved in 2003/2004: 1,848 When the 2003/04 to 2005/06 service plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the Liquor Distribution Branch (LDB) would shift from the operation of warehouses and retail stores to the regulation of private sector warehouses and retail stores. Many store training programs were deferred for most of the fiscal year as the LDB was planning to discontinue some of its operations. Training programs now await the outcome of negotiations on implementation of changes to the revised collective agreement.
	4.4 **Internal Customer Service:** Continuously develop and promote internal customer service standards and behaviours to foster our corporate values in all business transactions between departments, among employees and with our customers	Staff perceptions of values-behaviour consistency	75%	**Measurement deferred** When the 2003/04 to 2005/06 service plan was tabled in the legislature in February 2003, government's direction was that, over time, the role of the Liquor Distribution Branch (LDB) would shift from the operation of warehouses and retail stores to the regulation of private sector warehouses and retail stores. Due to the planned downsizing of the LDB, surveys to evaluate staff perceptions were not conducted during this fiscal year.
#5 Public Safety and Social Responsibility	5.1 **Public Safety:** Encourage and support the responsible use of beverage alcohol through social responsibility and public safety campaigns and initiatives	In-store social responsibility campaigns	6 Campaigns	**Target exceeded: 8 campaigns** The LDB's responsible use awareness program continued with eight different in-store customer campaigns in fiscal 2003/04. Topics included FASD prevention, seasonal holiday safety reminders and responsible hosting guidelines.

Performance Targets and Results 2003/04

Goal	Objective	Performance Measure	Target	Achievement
#5 Public Safety and Social Responsibility (cont'd)		Public Safety Strategy	Preliminary strategy in place by September 30, 2003	**Target deferred** The LDB's strategy was deferred while the government completed its liquor policy review.
	5.2 **Beverage Container Management:** Ensure that the beverage container return system is cost-neutral to government and continues to provide an acceptable level of service to customers.	Shift LDB store share of provincial container returns to alternative return channels	30% of containers returned to LDB stores	**Target partially achieved – 35%** This is a measure of the total number of alcoholic beverage containers returned to LDB stores divided by the total number of alcohol beverage containers returned throughout the province via other outlets. It was expected that the ratio of containers returned to LDB stores would decrease because LDB stores would be closing as a result of government's decision to discontinue liquor retailing. As a result of the government's decision to continue with a mixed public-private liquor retail system, the target was not achieved. Actual results for prior years were: Fiscal 2002/03: 38% Fiscal 2001/02: 42% Fiscal 2000/01: 45%
		Achieve cost neutrality in the LDB beverage container program	Cost-neutral financial measures in place by September 2003	**Target deferred** As a result of the government's decision to conduct a comprehensive review of liquor policies, these measures were deferred.
		Achieve 85% return rate for containers in LDB stewardship plan	85%	**Target exceeded** The Beverage Container Stewardship Program Regulation requires that all stewards achieve a provincial return rate of 85%. The LDB only has stewardship responsibility for non-refillable glass, plastic and bag-in-box alcoholic beverage containers. **Target exceeded – 91%** The success of the LDB's stewardship program may be attributed to the fact that it provides convenient return options for consumers around the province through a comprehensive network of bottle depots and retail stores. Actual results for prior years were: Fiscal 2002/03: 91% Fiscal 2001/02: 86% Fiscal 2000/01: 85%

Report on Performance

Performance Targets 2004/05

Goal: Financial Performance

Maximize income within the policy guidelines established by government.

OBJECTIVES

1. Achieve or exceed a net income contribution of $760 million.

STRATEGIES

1. Grow sales and achieve operating efficiencies.

PERFORMANCE MEASURES	ACTUAL	TARGETS		
	Fiscal 2003/04 ($000s)	Fiscal 2004/05 ($000s)	Fiscal 2005/06 ($000s)	Fiscal 2006/07 ($000s)
Total Sales	1,998,223	2,062,013	2,101,612	2,121,812
Cost of Sales	992,225	988,752	1,008,275	1,018,232
Operating Expenses	215,276	236,126	221,824	221,609
Net Income	726,710	759,614	792,470	802,130

Report on Performance

Goal: Customer Experience

Set the standard for excellence in retailing and wholesaling of beverage alcohol.

OBJECTIVES

1. Improve customer satisfaction levels.

STRATEGIES

1. Implement improvements to enhance the retail experience.
2. Improve cost efficiencies and busines services for our wholesale customers.
3. Elicit advice and input from industry stakeholders on an ongoing basis.

PERFORMANCE MEASURES

- Signature retail stores opened in key markets (three in each of next three years).
- Stores upgraded (15 in each of next three years).
- Customer access to product knowledge enhanced.
- Attitudes and consumer experience evaluated through consumer research and a mystery shopper program.
- Service standards developed.

Goal: Public Safety and Social Responsibility

Encourage the responsible use of beverage alcohol.

OBJECTIVES

1. Sell beverage alcohol responsibly.
2. Promote the responsible use of beverage alcohol.

STRATEGIES

1. Provide staff education and encourage responsible retailing of beverage alcohol.
2. Develop and support initiatives that encourage responsible use.

PERFORMANCE MEASURES

- Staff training in responsible service (new hires).
- Service refusal tracking.
- Customer support for LDB's role in promoting responsible use of beverage alcohol.
- Customer awareness of LDB's social responsibility programs.

Report on Performance

Goal: Business Effectiveness

Manage business practices in a climate of continuous change with a focus on operating efficiencies and value added.

OBJECTIVES

1. Operate the business in the most effective and efficient manner possible.

STRATEGIES

1. Ensure that government liquor stores operate at satisfactory levels of profitability.
2. Maximize the efficiency of our liquor distribution operation.

PERFORMANCE MEASURES	ACTUAL	TARGETS		
	Fiscal 2003/04	Fiscal 2004/05	Fiscal 2005/06	Fiscal 2006/07
GLS Operating Cost Ratio	12.0%	10.9%	10.9%	10.9%
GLS Sales Per Square Foot	1,118	1,182	1,204	1,216
Distribution Labour Cost Per Case	1.86	Less than 1.836	TBD	TBD
Inventory Turns - LDB				
• Retail	16.1	17.5	17.5	17.5
• Distribution	21.3	21.0	21.0	21.0

Goal: Workplace Quality and Employee Excellence

Create a safe and supportive work environment that attracts and results in skilled, motivated and enthusiastic employees.

OBJECTIVES

1. Attract, develop and retain highly qualified and motivated people.

STRATEGIES

1. Employ a competency-based recruitment process.
2. Promote understanding of organizational goals, strategies and results through an enhanced performance management and recognition process.
3. Utilize effective management practices to provide a safe, healthy and harassment-free workplace.

PERFORMANCE MEASURES

- Employee satisfaction and understanding of vision, mission and values.
- Workforce planning process, including a succession plan.
- STIIP* and WCB** claim costs — 4.6% of payroll.

*STIIP Short Term Illness and Injury Plan

**WCB Workers' Compensation Board

Key Strategic Issues 2004/05

Government Policy and Direction

Government's objectives are to: increase liquor retail choices for British Columbians; lower the cost and improve the efficiency of the LDB's retail and distribution operations; support an increase in private liquor retail outlets; and achieve government's revenue targets.

Our People

The LDB recognizes that a critical component in meeting the challenges of change and achieving overall business success is our employees.

As a result of the restructuring and downsizing conducted in the execution of the 2003/04 to 2005/06 service plan, some of the LDB's staffing resources have been depleted. The LDB must now restore these resources and work on attracting and retaining highly qualified and motivated people. One of its other challenges is that a significant amount of the LDB's workforce will be retiring over the next few years. This means that the LDB must develop and implement a workforce planning process, including a succession plan for the organization.

Technology

Technology is having a major impact on how the public sector delivers service and interacts with business. Traditional ways of doing business continue to be challenged by the growth of electronic commerce, elimination of geographic barriers, reduction of communication time and integration with external systems.

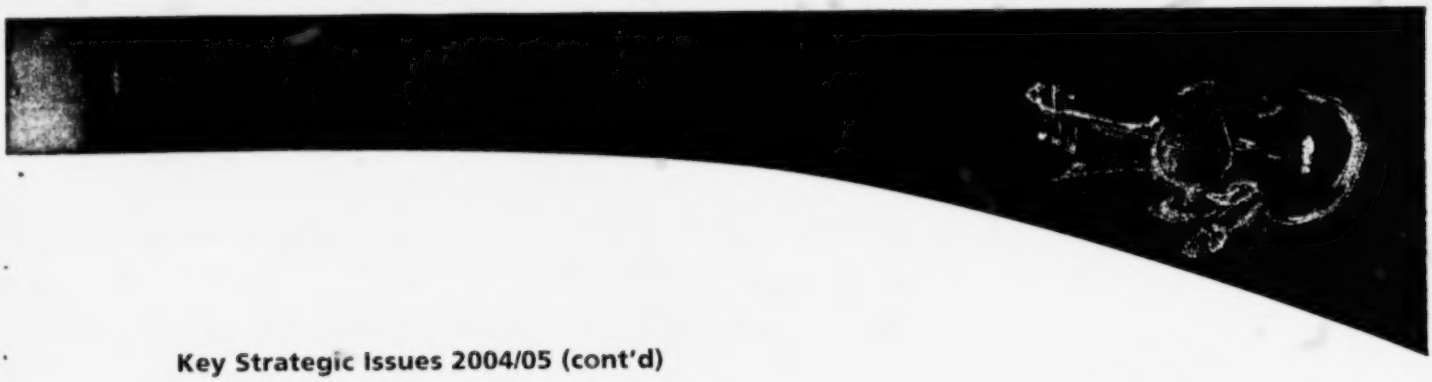
The branch must act to ensure that the right technologies and skills are in place to allow the LDB to be a truly superior retailer, to lower the cost and improve the efficiency of liquor distribution, and to maintain appropriate government control over the sale of liquor and the collection of revenue.

Our Customers

British Columbia operates with both a public and private beverage alcohol retail model. Looking to the future, the private model will grow extensively. The public LDB model will have to be successful as a retail chain while at the same time providing service and support to an increasing wholesale market.

With the increase in wholesale demand, the distribution model must improve its efficiencies, satisfying the needs of the private beverage alcohol retailers while at the same time servicing the LDB retail chain.

The LDB stores must further evolve as a comprehensive retail chain. The stores must be more obviously 'linked' and managed consistently in terms of service, product selection and product knowledge provided.



Key Strategic Issues 2004/05 (cont'd)

Public Safety

Public awareness regarding alcohol use has evolved over the years, leading to further intolerance for drinking and driving. However, recent statistics indicate that many Canadians continue to drive after consuming alcohol.

Another safety issue is alcohol consumption by minors. Statistics Canada reports that regular heavy drinking is most common among youth, despite being under the legal age—a trend that is evident in many Western countries.

The LDB has for many years warned consumers about the dangers of alcohol consumption during pregnancy. New health research suggests that any amount of alcohol consumption during pregnancy may create a wider range of cognitive impairment than previously identified with Fetal Alcohol Spectrum Disorder (FASD).

As the number of privately-operated retail liquor outlets increases, the LDB, in conjunction with other government agencies and industry stakeholders, must continue to ensure that public safety issues are effectively managed in the liquor retail environment. The LDB will continue to promote the responsible use of alcohol and educate the public on the risks associated with alcohol misuse.

Beverage Container Management

Currently, more than 270 million empty beverage containers are returned to government liquor stores annually. As the LDB strives to become a more efficient and competitive retailer, it must reduce the costs associated with empty beverage container management.

Financial Report

Management Discussion and Analysis

Results of Operations

The LDB recorded its twelfth consecutive year of sales growth with an average annual increase of 4.5 per cent. Net income was $727 million, an increase of $72 million over the previous year and $72 million more than budget. Gross sales increased $113 million over last year and $104 million over budget.

Key Indices
(all $ figures in $000)

	Actual 2003/04	Budget 2003/04	Actual 2002/03	Change vs. 2002/03 Actual	Change vs. 2003/04 Budget
Gross Sales	1,998,223	1,894,709	1,885,295	112,928	103,514
Net Income	726,710	655,000	654,217	72,493	71,710
Capital Expenditures	1,265	5,084	2,344	(1,079)	(3,819)
RMS Project			6,149	(6,149)	
Gross Margin %	46.87%	47.32%	47.97%	(1.10%)	(0.45%)
Operating Income to Sales	36.10%	34.41%	34.45%	1.65%	1.69%
Operating Expenses to Sales	10.77%	12.91%	13.52%	(2.75%)	(2.14%)
Net Income to Sales	36.37%	34.57%	34.70%	1.67%	1.80%
Inventory Turnover	*14.8 times*	*14.9 times*	*14.5 times*	*0.3 times*	*(0.1) times*
Customer Count	42,887,296		43,579,255		
Average Transaction $ Value	25.15		24.40		
FTE Count	2,731	2,664	2,808	(77)	67

Gross sales grew, in both sales dollars and volume, in all product categories except draught beer. Factors contributing to the growth were the increase in access to beverage alcohol through the expansion of private sector retailing. There were 104 more licensee retail stores serving British Columbians during the fiscal year than there were a year ago. In February 2004, the government approved a three per cent markup increase for all products. This contributed to increased fiscal sales of approximately $9 million.

Private sector stores purchase their product from the LDB at a discount ranging from 10 to 30 per cent. The 3.6 per cent increase in the market share of the private sector, making it 26.3 per cent, resulted in a decline in the gross margin from 47.97 per cent to 46.87 per cent. This was, however, partially offset by the overall markup increase during the last two months of the fiscal year.

Capital expenditures declined by 46 per cent since the LDB was not undertaking any enhancement to the store system due to the LDB's previous direction to discontinue the distribution and retail of beverage alcohol.

The customer count at the government liquor stores declined by 1.6 per cent or 0.7 million. The average transaction through the government liquor stores increased, however, from $24.40 to $25.15. This translated to an increase in retail sales of $15.3 million.

Operating expenses were 10.8 per cent of sales for the fiscal year which is 2.8 per cent less than last year's 13.5 per cent and 2.1 per cent less than budget. Included in operating expenses is the reversal of restructuring costs of $23.5 million from last year. Operating expenses as a percentage of sales, excluding restructuring costs, were 12.0 per cent in fiscal 2003/04, 12.2 per cent in fiscal 2002/03, and 12.4 per cent of budget.

Net income was $727 million or 36.4 per cent of sales, up from 34.7 per cent in the previous year, and the budgeted 34.6 per cent of sales. With the reversed restructuring costs removed, net income for the 2003/04 fiscal year was $703 million compared to $678 million in the previous year, or 35.2 per cent compared to 36 per cent in the previous year. This reflects the effect of the increased wholesale purchasing discount for licensee retail stores.

Branch-wide inventory turns improved during the year by 0.3 times to 14.8 times. This indicates that the number of days that inventory is held by the LDB went from 25.2 days to 24.7 days. The shift in market share to greater private sector participation had a positive impact on inventory turns. Inventory turns in GLSs were 16.1, down from 17.2, while the distribution centres' turnover improved to 21.3, up from 20.3 in the previous fiscal year.

Growth in Sales *(in $000)*

Product	Actual 2003/04	Budget 2003/04	Actual 2002/03	$ Change vs 2002/03 Actual	Change vs 2003/04 Budget
Spirits	537,270	513,832	513,582	23,688	23,438
Wine	448,881	417,314	416,657	32,224	31,567
Packaged Beer	790,820	739,178	736,549	54,271	51,642
Draught Beer	116,442	117,007	116,506	(64)	(565)
Cider/Coolers	92,868	96,212	90,757	2,111	(3,344)
Special Orders/Non-alcoholic	11,942	11,166	11,244	698	776
	1,998,223	1,894,709	1,885,295	112,928	103,514

Growth in Sales *(in 000s of litres)*

Product	Actual 2003/04	Budget 2003/04	Actual 2002/03	Vol. Change vs 2002/03	Change vs 2003/04 Budget
Spirits	21,597	20,785	20,786	811	812
Wine	39,087	37,190	37,172	1,915	1,897
Packaged Beer	219,678	211,789	210,796	8,882	7,889
Draught Beer	46,899	48,382	48,217	(1,318)	(1,483)
Cider/Coolers	19,825	20,694	19,524	301	(869)
Other	207	347	209	(2)	(140)
	347,293	339,187	336,704	10,589	8,106

Fiscal 2003/04 gross sales of $2 billion increased six per cent over last year's $1.9 billion and 5.5 per cent over budget. All categories experienced sales growth except for draught beer. The largest percentage increase was in the wine category at 7.7 per cent, which was $32.2 million higher than last year. The spirits category was $23.7 million higher, representing a 4.6 per cent increase over last year. Packaged beer, fuelled by the strong performance of imported beers, had the largest dollar value increase of $54.3 million or 7.4 per cent over last year. Cider/coolers were 2.3 per cent higher than last year, due to the strong sales during the summer months.

Gross sales increased in all product categories of beverage alcohol in both dollars and volume, except draught beer. The overall growth in sales dollars, at six per cent, almost doubled the growth in volume, at 3.1 per cent. This relationship of greater growth in dollars over volume is an indication of customer preference for trading up to more expensive, premium products and the effect of the markup increase on all products in February 2004.

Financial Report

Key Financial and Operating Statistics

For the five years ended March 31, 2004
(all dollar figures in $000)

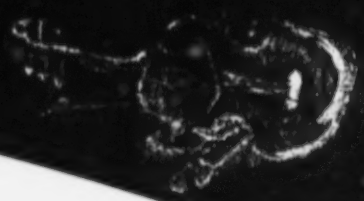
	Actual 2003/04	Budget 2003/04	Actual 2002/03	Actual 2001/02	Actual 2000/01	Actual 1999/00
Sales	1,998,223	1,894,709	1,885,295	1,792,877	1,719,182	1,663,323
Cost of Sales	992,225	932,766	925,548	882,748	846,662	822,100
Gross Margin	936,535	896,533	904,330	863,270	827,561	798,528
Gross Margin (%)	46.87%	47.32%	47.97%	48.15%	48.14%	48.01%
Operating Expenses	215,276	244,533	254,908	231,859	199,028	188,424
Operating Expenses to Sales (%)	10.77%	12.91%	13.52%	12.93%	11.58%	11.33%
Operating Income	721,259	652,000	649,422	631,411	628,533	610,104
Operating Income to sales (%)	36.10%	34.41%	34.45%	35.22%	36.56%	36.68%
Net Income	726,710	655,000	654,217	636,673	642,426	617,387
Net Income to Sales (%)	36.37%	34.57%	34.70%	35.51%	37.37%	37.12%
Inventory Turnover	14.8	14.9	14.5	14.5	13.9	13.9

Provincial Sales by Source
For the five years ended March 31, 2004
(as a percentage of total dollar sales)

	2003/04	2002/03	2001/02	2000/01	1999/00
Counter Sales					
Government Liquor Stores (%)	54.0	56.4	58.5	57.6	57.6
Licensee Retail Stores (%)	20.8	18.2	15.7	15.9	15.8
Agency Stores* (%)	5.5	4.5	4.1	4.2	4.1
Total Counter Sales (%)	80.3	79.1	78.3	77.7	77.5
Licensee Sales (%)	19.7	20.9	21.7	22.3	22.5
Total Sales (%)	100.0	100.0	100.0	100.0	100.0

Greater private sector participation resulted in an increase in private liquor store market share to 26.3 per cent from 22.7 per cent. Licensee sales market share declined by 1.2 per cent and government liquor stores by 2.4 per cent.

*Agency stores refer to rural agency stores, consignment agency stores, independent wine stores, winery agency stores and tourist wine shops.



For the five years ended March 31, 2004
(in $000s)

	2004	2003	2002	2001	2000
FEDERAL GOVERNMENT					
Custom Duties and Excise Tax	125,811	108,877	103,718	98,345	97,687
Goods and Services Tax	135,958	129,088	124,131	113,435	112,802
Total	261,769	237,965	227,849	211,780	210,489
PROVINCIAL GOVERNMENT					
LDB Net Income	726,710	654,217	636,673	642,425	617,387
Social Services Tax	108,089	105,100	105,044	99,175	95,159
Total	834,799	759,317	741,717	741,600	712,546
MUNICIPAL GOVERNMENT					
Property Taxes	4,702	4,827	4,716	4,575	4,756
Total Remittances	1,101,270	1,002,109	974,282	957,955	927,791

Note: The above amounts do not include taxes paid directly by external parties, namely: excise duty and taxes paid by domestic brewers, wineries for direct distributed products, and distilleries; and goods and services tax and social services tax collected by licensees, agency stores and other licensed establishments. Prior to July 2003, excise duty on all domestic wine was directly paid by the wineries.

2003/04 Risk Factors	Mitigating Factors/Activities
Possible sales losses during transition to new models.	As a result of government's decision to continue with a mixed public-private retail model, the LDB was not exposed to this risk.
Unplanned incidents (natural disasters, product tampering, etc.) may disrupt business at any time and negatively impact revenues.	The LDB maintained and tested its Emergency Management procedures throughout the fiscal year.
Data stored on LDB systems could be subject to mischief, illegal manipulation, viruses, unauthorized viewing or piracy.	The LDB continuously maintained and tested its information systems and security controls.
Weather patterns can affect revenue depending upon timing and severity.	Favourable weather conditions throughout the fiscal year supported an increase in beverage alcohol sales.
Internal and external workforce disruptions could affect revenue.	The store and warehouse employees' collective agreement was successfully negotiated and extended to March 31, 2005.

Financial Report

Management Future Outlook

Sales in all categories are budgeted to increase during fiscal 2004/05. Spirits, wine, imported beer and coolers are expected to maintain their strong performance from the current year. The full impact of the LDB's markup increase, together with the expected product sales increase, will significantly contribute to increased revenues.

The number of licensee retail stores will continue to increase as newly approved stores become operational and should contribute to strong sales during the coming years.

As the LDB repositions its stores in the marketplace and private sector retailing increases, the LDB must increase its net revenue contributions to government through cost-effective productivity improvements.

Cost containment will continue to be an imperative as the LDB enhances its retail model. Operating expenses as a percentage of sales are expected to be 11.5 per cent, which is less than last year's fiscal target of 12 per cent after adjusting for the effect of restructuring costs. As a result of recent employee contract negotiations, this decrease is attributable in part to a realignment of work schedules.

As the LDB plans to re-invest in its stores, update its systems to improve customer service, capital expenditures will be increased to $12 million from $1.3 million.

Financial Outlook

Projected Income, Expenses, Capital Requirements ($000s) and FTEs

	Fiscal 2004/05	Fiscal 2005/06	Fiscal 2006/07
Total Sales	2,062,013	2,101,612	2,121,812
Commissions and Discounts	(80,521)	(82,043)	(82,841)
Cost of Sales	(988,752)	(1,008,275)	(1,018,232)
Operating Expenses	(236,126)	(221,824)	(221,609)
Other Income	3,000	3,000	3,000
Net Income	759,614	792,470	802,130
Capital Requirements	12,000	12,000	12,000
FTEs	2,732	2,761	2,766

Key Forecast Assumptions

Forecast assumptions include sales increases of 4.7 per cent, 1.9 per cent and 1.0 per cent respectively over the next three years. Fiscal 2004/05 reflects a markup increase that was effective February 1, 2004.

Benchmarks

The LDB plans to benchmark against other similar organizations and will do so in future fiscal years.

Financial Report

Management's Responsibility for Financial Reporting

The financial statements of the British Columbia Liquor Distribution Branch have been prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

The Liquor Distribution Branch audit division performs internal audits designed to test the adequacy and consistency of internal controls, practices and procedures.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Liquor Distribution Branch. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of the Liquor Distribution Branch.

Jay Chambers
General Manager

Roger M. Bissoondatt, CA, CMA
Executive Director, Finance

Vancouver, British Columbia
May 26, 2004

Report of the Auditor General of British Columbia

To the Minister of *Public Safety and Solicitor General, Province of British Columbia*

I have audited the balance sheet of the *British Columbia Liquor Distribution Branch* as at March 31, 2004 and the statements of operations, advance due from the Province of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Branch's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Liquor Distribution Branch* as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
May 26, 2004

Audited Financial Statements

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
BALANCE SHEET

(in $000s)

March 31	2004	2003
ASSETS		
CURRENT ASSETS		
Accounts receivable	**5,022**	5,240
Inventories	**69,408**	64,897
Prepaid expenses	**1,844**	3,036
Due from Province of British Columbia	**44,062**	30,338
	120,336	103,511
CAPITAL ASSETS (note 3)	**23,813**	37,476
	144,149	140,987
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	**10,043**	1,974
Accounts payable and accrued liabilities	**119,175**	97,528
Current portion of restructuring costs (note 5)	**7,668**	9,026
Current portion of tenant improvement loans	**1,078**	1,153
Current portion of capital lease	**321**	290
	138,285	109,971
LONG TERM LIABILITIES		
Restructuring costs (note 5)	**-**	23,327
Tenant improvement loans (note 6)	**4,526**	6,030
Obligation under capital lease (note 7)	**1,338**	1,659
	144,149	140,987

Commitments and Contingent items (notes 8 & 9)

Approved by

General Manager

Executive Director, Finance

The accompanying notes and supplementary schedule are an integral part of these financial statements

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
STATEMENT OF OPERATIONS

(in $000s)

Year Ended March 31,	**2004**	2003
Sales (note 4)	**1,998,223**	1,885,295
Less commissions & discounts	**69,463**	55,417
	1,928,760	1,829,878
Cost of merchandise sold	**992,225**	925,548
Gross margin	**936,535**	904,330
Operating expenses (schedule)	**215,276**	254,908
	721,259	649,422
Other income	**5,451**	4,795
Net income	**726,710**	654,217

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
STATEMENT OF ADVANCE DUE FROM PROVINCE OF BRITISH COLUMBIA

(in $000s)

Year Ended March 31,	**2004**	2003
Balance beginning of year	**30,338**	2,304
Net Income	**(726,710)**	(654,217)
Payments to Province of British Columbia	**740,434**	682,251
Balance end of year	**44,062**	30,338

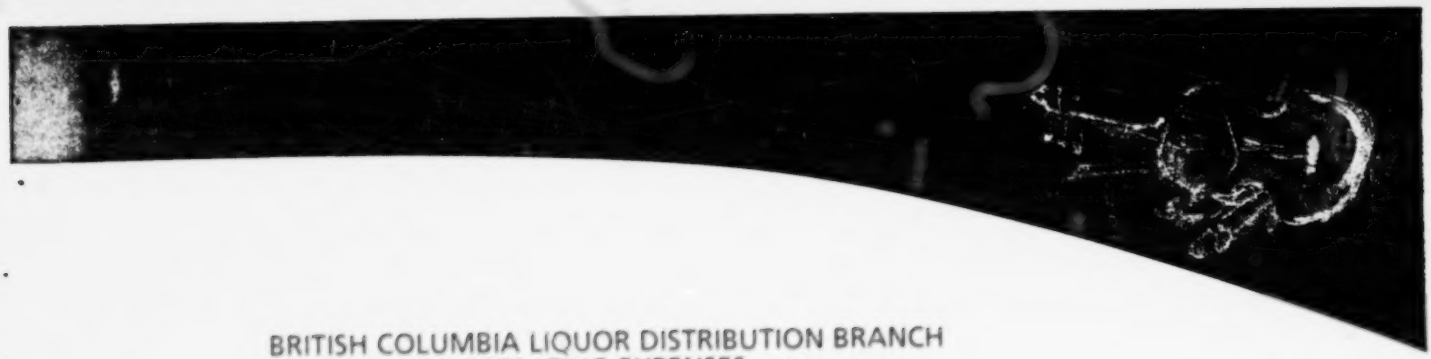
The accompanying notes and supplementary schedule are an integral part of these financial statements.

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
STATEMENT OF CASH FLOWS

(in $000s)

Year Ended March 31,	**2004**	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**1,928,978**	1,830,065
Cash payments to Provincial Treasury	**(740,434)**	(682,251)
Cash paid to suppliers and employees	**(1,198,122)**	(1,146,034)
Cash receipts from other income	**5,348**	4,633
Interest paid on capital lease and loans	**(807)**	(995)
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	**(5,037)**	5,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets excluding capital projects	**(1,170)**	(672)
Acquisition of capital project assets	**(95)**	(7,821)
Proceeds from disposal of capital assets	**103**	162
CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(1,162)**	(8,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	**(290)**	(262)
Tenant improvement loans	**(1,580)**	(3,745)
CASH FLOWS (USED IN) FINANCING ACTIVITIES	**(1,870)**	(4,007)
NET (DECREASE) IN CASH	**(8,069)**	(6,920)
(BANK INDEBTEDNESS) CASH BEGINNING OF YEAR	**(1,974)**	4,946
(BANK INDEBTEDNESS) END OF YEAR	**(10,043)**	(1,974)

The accompanying notes and supplementary schedule are an integral part of these financial statements.



BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH
SCHEDULE OF OPERATING EXPENSES

(in $000s)

Year Ended March 31,	**2004**	2003
Salaries, wages and benefits (note 5)	**119,686**	165,753
Rents	**25,128**	25,077
Professional services	**4,162**	2,158
Repairs and maintenance	**4,615**	4,351
Freight to stores	**4,810**	4,568
Amortization	**14,929**	18,298
Light, water and fuel	**4,094**	3,849
Beverage container costs	**12,599**	9,956
Other operating expenses	**3,167**	636
Stationery and supplies	**3,017**	3,172
Merchandising	**2,187**	2,139
Bank charges	**6,923**	8,114
Data processing	**3,009**	1,935
Telephone	**4,067**	1,539
Travel	**384**	701
Loss prevention	**1,020**	991
Warehouse equipment costs	**672**	676
Interest on long term liabilities	**807**	995
	215,276	254,908

Financial Report

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

Notes to the Financial Statements

March 31, 2004
(Tabular amounts in $000s)

1. PURPOSE OF THE BRANCH

The British Columbia Liquor Distribution Branch (Branch) obtains its authority for operation from the *British Columbia Liquor Distribution Act (Act)*. As stated in Section 2 of this *Act*, the Branch has the exclusive right to purchase liquor for resale and reuse in the Province in accordance with the provisions of the *Importation of Intoxicating Liquors Act (Canada)*.

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 30(3)(b) of the *Act*, the financial statements of the Branch are prepared in accordance with Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

Inventories

Inventories are valued at cost on a first in first out basis, with cost comprising of supplier invoiced value, freight, duties and taxes.

Capital Assets

Capital assets are stated at cost and are amortized on a straight line basis as follows:

Buildings
7.5 per cent per annum

Leasehold improvements
A minimum of 10 per cent per annum or a rate sufficient to amortize the cost over the remaining life of the respective lease.

Furniture, fixtures, vehicles and equipment
25 per cent per annum.

Retail Management System
All costs of development, construction and other costs associated with the development of the Retail Management System have been capitalized and are amortized at 25 per cent per annum.

Capital projects
All costs of development for capital projects are capitalized. At the point in time when the project is substantially completed, it is amortized at 25 per cent per annum.

March 31, 2004
(Tabular amounts in $000s)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

Assets recorded under capital leases are amortized on a straight-line basis over the term of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Related Party Transactions

The Branch is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, as well as other transactions in which Provincial Government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount, unless disclosed separately in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Land	1,073	-	**1,073**	1,073
Buildings	17,908	15,666	**2,242**	2,742
Tenant improvements	18,404	14,042	**4,362**	5,475
Furniture, fixtures, vehicles & equipment	25,407	23,619	**1,788**	2,711
Office furnishings under capital lease	3,627	2,660	**967**	1,209
Retail Management System	44,878	32,893	**11,985**	22,526
Capital projects	1,762	672	**1,090**	696
Capital projects under development	306	-	**306**	1,044
	113,365	89,552	**23,813**	37,476

March 31, 2004
(Tabular amounts in $000s)

4. SALES

Total sales reported include sales to retail customers, licensed establishments, licensee retail stores and agency stores. These amounts do not include subsequent resale by licensed establishments, licensee retail stores and agency stores.

	2004	2003
Retail customers	**1,078,670**	1,063,329
Licensee retail stores	**416,057**	343,679
Licensed establishments	**393,479**	393,813
Agency stores	**110,017**	84,474
	1,998,223	1,885,295

5. RESTRUCTURING COSTS

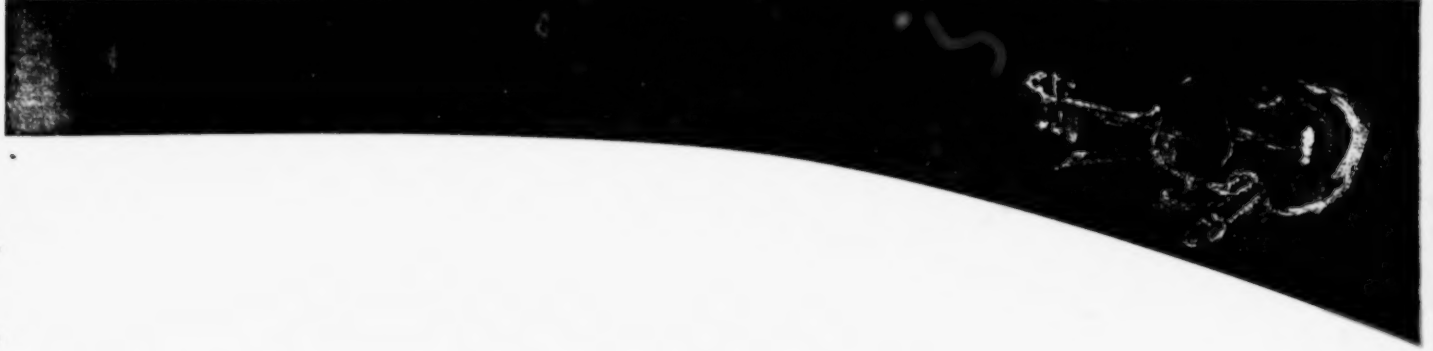
Provisions for severance costs in 2003 for store and distribution centre closures were reversed in 2004 as a result of government decision to continue to operate the retail and distribution system. A balance of $7.7 million remains for Early Retirement Incentive and Voluntary Departure Program costs for departures in 2005 as a result of organization changes resulting from the collective agreement ratification in November 2003.

	2004	2003
Opening balance beginning of year	**32,353**	6,066
Accrual during the year	**-**	26,287
Used during the year	**(1,184)**	-
Reversal of accrual not required	**(23,501)**	-
	7,668	32,353

6. TENANT IMPROVEMENT LOANS

As at March 31, 2004, the Branch has tenant improvements loans of $5.6 million financed through landlords. The range of interest rates is 3.3% to 20.0% with loans expiring from April 2004 to June 2014. The Principal payments due are as follows:

Year ending March 31	2005	1,078
	2006	972
	2007	871
	2008	860
	2009	701
	Subsequent years	1,122
		5,604



March 31, 2004
(Tabular amounts in $000s)

7. OBLIGATION UNDER CAPITAL LEASE

In the fiscal year 1994, the Branch entered into a 15-year capital lease expiring in the fiscal year 2009 for certain of its head office tenant improvements and office furnishings. The following is a schedule of future minimum lease payments under the capital lease expiring July 31, 2008, together with the balance of the obligation under capital lease:

Year ending March 31	2005	475
	2006	475
	2007	475
	2008	475
	2009	158
		2,058
	Less: imputed interest at 10 per cent	(399)
	Current portion	(321)
		1,338

8. COMMITMENTS

Future commitments for operating leases for Branch premises and equipment are as follows:

Year ending March 31	2005	15,666
	2006	11,504
	2007	9,842
	2008	8,802
	2009	6,110
	Subsequent years	13,739
		65,663

9. CONTINGENT ITEMS

The Branch has authorized suppliers' agents to import and warehouse liquor for subsequent purchase by the Branch. Under this program, the Branch has a contractual obligation to purchase all inventories held by the agent should the agent opt out of the program. As at March 31, 2004, the value of agents' inventories totalled approximately $54.5 million (2003 - $43.8 million) and the future liability for related federal excise taxes is $10.8 million (2003 - $9 million).

The Branch is the defendant in legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the corporation.

10. EMPLOYEES' BENEFIT PLANS

The Branch and its employees contribute to the Public Service Pension Plan (The Plan). The Plan is a multi-employer defined benefits pension plan. Under joint trusteeship, unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002 indicated a $546 million surplus for basic pension benefits. The next valuation will be as at December 31, 2004 with results available in 2005. The actuary does not attribute portions of the surplus to individual employers.

Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The future liability for this obligation amounts to $1,574,194 (2003 - $1,286,526) which represents future employees' retirement benefits outside of the Public Service Pension Plan. The expense adjustment recorded in the year is $234,060 (2003 - recovery of $23,227).

11. FINANCIAL INSTRUMENTS

The Liquor Distribution Branch's financial instruments consist of cash, accounts receivable, advance due to/from the Province of British Columbia, accounts payable and accrued liabilities, tenant improvement loan, and capital lease. Unless otherwise noted, it is management's opinion that the Branch is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial Report

2003/04 Store Sales by Region

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Number	Retail $	Litres	Spirits	Wine	Beer	Cider/ Coolers	Spirits	Wine	Beer	Cider/ Coolers
VANCOUVER ISLAND / COAST											
Alert Bay	225	665,608	108,953	9,268	12,556	66,639	20,490	8.5%	11.5%	61.2%	18.8%
Bella Coola	232	1,074,477	192,931	13,499	17,065	143,335	19,032	7.0%	8.8%	74.3%	9.9%
Campbell River Stores											
Campbell River	005	11,991,287	1,505,023	205,618	276,947	853,028	169,430	13.7%	18.4%	56.6%	11.3%
Willow Point	185	3,363,886	538,160	50,396	67,393	374,047	46,324	9.4%	12.5%	69.5%	8.6%
Chemainus	206	1,903,994	296,228	27,328	48,514	198,976	21,410	9.2%	16.4%	67.2%	7.2%
Comox	235	6,368,286	790,253	107,438	177,650	422,870	82,295	13.6%	22.5%	53.5%	10.4%
Courtenay	010	11,457,709	1,463,386	188,306	301,450	805,619	168,011	12.9%	20.6%	55.0%	11.5%
Cumberland	008	1,108,398	219,888	12,130	16,226	172,887	18,645	5.5%	7.4%	78.6%	8.5%
Duncan	012	13,782,139	1,971,609	211,802	334,074	1,168,784	256,949	10.7%	16.9%	59.4%	13.0%
Gabriola Island	134	1,997,050	293,109	23,899	58,334	189,744	21,132	8.2%	19.9%	64.7%	7.2%
Ganges	204	5,348,093	612,743	68,684	184,120	314,065	45,874	11.2%	30.0%	51.3%	7.5%
Gold River	055	775,121	146,922	9,623	8,577	119,127	9,595	6.5%	5.8%	81.2%	6.5%
Ladysmith	024	4,147,025	623,173	65,270	92,518	397,229	68,156	10.5%	14.8%	63.8%	10.9%
Lake Cowichan	067	2,629,367	460,906	35,891	39,523	330,829	54,663	7.8%	8.6%	71.7%	11.9%
Mill Bay	173	4,793,800	654,166	71,016	117,779	406,977	58,394	10.9%	18.0%	62.2%	8.9%
Nanaimo Stores											
Harbour Park	033	5,579,401	749,080	93,307	140,036	440,294	75,443	12.5%	18.7%	58.7%	10.1%
Longwood Station	188	7,588,752	959,495	117,705	222,570	556,113	63,107	12.3%	23.2%	57.9%	6.6%
Terminal Park	243	16,994,004	1,875,670	329,220	412,106	844,367	289,977	17.6%	22.0%	44.9%	15.5%
Parksville Stores											
Parksville	042	6,022,897	829,666	86,099	179,288	506,508	57,771	10.4%	21.6%	61.0%	7.0%
Parksville North	157	6,145,505	804,784	103,681	166,747	434,376	99,980	12.9%	20.7%	54.0%	12.4%
Pender Island	155	1,642,441	233,044	17,916	49,668	147,057	18,403	7.7%	21.3%	63.1%	7.9%
Port Alberni Stores											
Port Alberni	040	6,196,860	902,399	108,249	109,903	585,542	98,705	12.0%	12.2%	64.9%	10.9%
Port Alberni North	104	3,740,405	624,365	52,621	76,327	438,367	57,050	8.4%	12.2%	70.3%	9.1%
Port Alice	128	502,141	86,585	6,890	7,037	67,553	5,105	8.0%	8.1%	78.0%	5.9%
Port Hardy	236	2,703,171	437,178	38,910	53,355	293,604	51,309	8.9%	12.2%	67.2%	11.7%
Port McNeill	115	2,543,736	389,222	39,291	45,816	266,466	37,649	10.1%	11.8%	68.4%	9.7%
Powell River	041	6,994,204	964,907	113,489	175,026	537,410	138,982	11.8%	18.1%	55.7%	14.4%
Qualicum	034	5,032,188	659,178	78,547	155,477	378,117	47,037	11.9%	23.6%	57.4%	7.1%
Sidney	050	10,136,038	1,246,537	134,686	352,025	678,161	81,665	10.8%	28.2%	54.4%	6.6%
Sooke	229	3,996,327	617,824	55,142	90,997	415,865	55,820	8.9%	14.7%	67.4%	9.0%

Source: LDB Data Warehouse

Note: Store sales figures represent sales activity in government liquor stores. Products sold directly by suppliers to wholesale customers are not included in these figures.

2003/04 Store Sales by Region

Store Name	Number	Sales		Litre Product Mix				Litre Product Mix Percentage			
		Retail $	Litres	Spirits	Wine	Beer	Cider/ Coolers	Spirits	Wine	Beer	Cider/ Coolers
Victoria (Greater) Stores											
Trafalgar Square	059	5,349,502	769,776	70,694	151,308	496,729	51,045	9.2%	19.7%	64.5%	6.6%
Esquimalt	068	3,578,128	580,786	49,184	79,965	410,928	40,709	8.5%	13.8%	70.7%	7.0%
Gorge & Tillicum	124	9,342,260	1,504,740	126,191	205,653	1,064,809	108,087	8.4%	13.7%	70.7%	7.2%
Langford	125	8,592,517	1,334,140	122,532	189,774	914,246	107,588	9.2%	14.2%	68.5%	8.1%
Cedar Hill	140	6,874,769	916,344	95,512	213,344	549,709	57,779	10.4%	23.3%	60.0%	6.3%
James Bay	150	3,636,560	486,665	48,595	124,521	286,077	27,472	10.0%	25.6%	58.8%	5.6%
Blanshard Square	161	9,159,318	1,427,005	117,373	197,075	1,008,128	104,429	8.2%	13.8%	70.7%	7.3%
Fairfield	178	5,143,815	613,164	57,660	204,143	322,141	29,220	9.4%	33.3%	52.5%	4.8%
Broadmead Village	181	8,302,623	1,047,495	104,059	272,477	601,686	69,273	9.9%	26.0%	57.5%	6.6%
Victoria Bay Centre	184	4,703,891	566,928	69,159	119,125	330,218	48,426	12.2%	21.0%	58.3%	8.5%
Fort Street	218	17,642,035	1,909,607	180,957	558,681	1,068,133	101,836	9.5%	29.3%	55.9%	5.3%
Colwood	219	4,422,751	693,920	62,765	94,658	477,865	58,632	9.0%	13.6%	69.0%	8.4%
Government Street Licensee	231	22,447,921	1,958,134	387,809	603,286	536,884	430,155	19.8%	30.8%	27.4%	22.0%
Saanich	242	8,626,052	1,262,694	113,417	227,520	832,041	89,716	9.0%	18.0%	65.9%	7.1%
MAINLAND / SOUTHWEST											
Abbotsford Stores											
Abbotsford	001	7,340,445	969,294	128,964	163,180	576,235	100,915	13.3%	16.8%	59.5%	10.4%
Abbotsford Village	189	7,148,197	1,023,356	97,593	174,444	667,686	83,633	9.5%	17.0%	65.3%	8.2%
Agassiz	064	3,360,498	465,064	51,222	73,729	283,093	57,020	11.0%	15.9%	60.8%	12.3%
Burnaby Stores											
Lougheed Plaza	077	11,077,208	1,465,068	160,771	281,205	888,035	135,057	11.0%	19.2%	60.6%	9.2%
Royal Oak & Rumble	121	5,383,566	724,483	83,030	126,420	453,360	61,673	11.5%	17.4%	62.6%	8.5%
Kensington	137	4,545,370	635,833	54,316	135,169	410,273	36,075	8.5%	21.3%	64.5%	5.7%
Brentwood	187	3,514,690	462,361	46,672	88,416	299,430	27,843	10.1%	19.1%	64.8%	6.0%
South Burnaby	203	5,583,227	765,863	75,584	159,742	488,891	41,646	9.9%	20.9%	63.8%	5.4%
North Burnaby	217	8,420,143	1,199,089	113,283	215,686	792,396	77,724	9.4%	18.0%	66.1%	6.5%
Middlegate	220	7,297,817	1,122,045	102,358	151,784	800,051	67,852	9.1%	13.5%	71.4%	6.0%
Chilliwack Stores											
Chilliwack	007	12,074,004	1,769,350	200,331	207,842	1,118,258	242,919	11.3%	11.7%	63.3%	13.7%
Sardis	170	9,184,420	1,350,207	145,192	198,250	881,894	124,871	10.8%	14.7%	65.3%	9.2%
Clearbrook	149	12,180,434	1,520,444	255,062	205,847	911,433	148,102	16.8%	13.5%	60.0%	9.7%
Coquitlam Stores											
Como Lake	153	4,920,762	689,445	60,072	141,768	447,594	40,011	8.7%	20.6%	64.9%	5.8%
Austin Road	200	6,889,872	1,030,429	91,368	177,963	697,658	63,440	8.9%	17.3%	67.6%	6.2%
Delta Stores											
Ladner	025	8,559,060	1,116,014	125,413	258,455	644,289	87,857	11.2%	23.2%	57.7%	7.9%
Tsawwassen	098	8,683,007	1,034,442	111,385	305,870	555,106	62,081	10.8%	29.6%	53.6%	6.0%
Scottsdale	145	10,483,763	1,274,431	201,846	229,568	773,302	69,715	15.8%	18.0%	60.7%	5.5%

Financial Report

2003/04 Store Sales by Region

Store Name	Number	Sales		Litre Product Mix				Litre Product Mix Percentage			
		Retail $	Litres	Spirits	Wine	Beer	Cider/ Coolers	Spirits	Wine	Beer	Cider/ Coolers
Langley Stores											
Aldergrove	109	7,633,538	1,145,237	123,644	146,634	765,589	109,370	10.8%	12.8%	66.9%	9.5%
Langley	022	9,647,630	1,277,613	164,153	239,964	755,244	118,252	12.8%	18.8%	59.1%	9.3%
Fort Langley	127	2,247,318	350,202	27,939	54,042	244,510	23,711	8.0%	15.4%	69.8%	6.8%
Willowbrook	158	13,465,782	1,764,822	215,729	312,707	1,044,433	191,953	12.2%	17.7%	59.2%	10.9%
Walnut Grove	186	6,240,948	814,629	88,692	167,431	478,637	79,869	10.9%	20.6%	58.7%	9.8%
Lillooet	023	1,972,502	339,060	26,824	31,752	246,790	33,694	7.9%	9.4%	72.8%	9.9%
Madeira Park	093	2,151,155	298,722	30,806	55,242	186,220	26,454	10.3%	18.5%	62.3%	8.9%
West Maple Ridge	164	9,146,034	1,304,539	138,374	219,515	824,386	122,264	10.6%	16.8%	63.2%	9.4%
Mission Plaza	027	10,347,535	1,515,864	175,147	182,943	998,325	159,449	11.6%	12.1%	65.8%	10.5%
New Westminster Stores											
New Westminster	031	10,768,943	1,517,795	166,519	241,667	988,979	120,630	11.0%	15.9%	65.2%	7.9%
Royal Square	097	7,113,166	917,588	114,262	185,749	511,392	106,185	12.5%	20.2%	55.7%	11.6%
North Vancouver Stores											
North Vancouver	030	7,260,754	1,088,535	90,190	192,980	732,871	72,494	8.3%	17.7%	67.3%	6.7%
Westview	107	13,051,981	1,668,865	138,294	433,455	1,004,609	92,507	8.3%	26.0%	60.2%	5.5%
Dollarton Village	133	5,842,240	742,805	60,354	214,107	425,386	42,958	8.1%	28.8%	57.3%	5.8%
Capilano Mall	152	7,305,883	843,106	100,240	257,503	406,407	78,956	11.9%	30.5%	48.2%	9.4%
Lynn Valley	247	11,842,687	1,525,948	142,069	394,348	866,609	122,922	9.3%	25.8%	56.8%	8.1%
Pemberton	101	3,003,347	529,629	29,000	53,843	393,729	53,057	5.5%	10.2%	74.3%	10.0%
Pitt Meadows	165	4,292,480	577,636	70,685	93,774	344,463	68,714	12.2%	16.2%	59.7%	11.9%
Port Coquitlam Stores											
Port Coquitlam	011	6,882,510	1,001,732	103,773	147,543	641,973	108,443	10.4%	14.7%	64.1%	10.8%
Prairie Mall	089	4,793,942	784,044	64,507	97,663	569,087	52,787	8.2%	12.5%	72.6%	6.7%
Westwood Centre	163	17,495,165	2,270,853	222,662	443,284	1,418,816	186,091	9.8%	19.5%	62.5%	8.2%
Port Moody	205	5,480,013	749,930	67,218	171,841	445,046	65,825	9.0%	22.9%	59.3%	8.8%
Richmond Stores											
Brighouse	076	11,230,240	1,434,318	144,556	281,017	927,185	81,560	10.1%	19.6%	64.6%	5.7%
Ironwood	120	6,036,853	790,788	86,719	161,567	475,993	66,509	11.0%	20.4%	60.2%	8.4%
Blundell	176	7,595,364	919,754	93,436	249,401	518,263	58,654	10.2%	27.1%	56.3%	6.4%
Garden City	180	4,473,840	613,212	64,487	123,177	386,067	39,481	10.5%	20.1%	63.0%	6.4%
Richmond SeaFair	244	7,914,071	1,082,288	103,646	239,862	648,980	89,800	9.6%	22.2%	59.9%	8.3%
Vancouver Airport	193	905,613	82,557	10,997	25,259	42,614	3,687	13.3%	30.6%	51.6%	4.5%
Sechelt	230	6,421,363	836,001	90,973	196,554	476,135	72,339	10.9%	23.5%	56.9%	8.7%
Squamish	208	6,652,773	1,001,065	90,587	133,244	680,867	96,367	9.0%	13.3%	68.1%	9.6%
Surrey Stores											
Cloverdale	070	7,519,756	1,053,302	122,196	159,470	660,454	111,182	11.6%	15.1%	62.7%	10.6%
Ocean Park	110	5,392,000	640,163	62,078	196,453	348,101	33,531	9.7%	30.7%	54.4%	5.2%
North Surrey	116	9,299,836	1,186,848	207,385	107,836	746,955	124,672	17.5%	9.1%	62.9%	10.5%
Whalley	122	9,262,341	1,366,830	159,286	145,983	915,992	145,569	11.7%	10.7%	66.9%	10.7%

2003/04 Store Sales by Region

Store Name	Number	Sales		Litre Product Mix				Litre Product Mix Percentage			
		Retail $	Litres	Spirits	Wine	Beer	Cider/ Coolers	Spirits	Wine	Beer	Cider/ Coolers
Vancouver Stores											
Marpole	038	5,641,985	772,549	66,657	159,099	502,413	44,380	8.6%	20.6%	65.1%	5.7%
Harbour Centre	053	5,078,972	679,294	70,619	102,523	457,958	48,194	10.4%	15.1%	67.4%	7.1%
Hastings & Slocan	058	6,869,511	1,080,999	85,738	146,898	763,351	85,012	7.9%	13.6%	70.6%	7.9%
Jericho Village	090	9,460,776	1,123,214	98,603	308,698	655,171	60,742	8.8%	27.5%	58.3%	5.4%
Bute Street	094	6,909,533	972,809	88,446	177,961	630,465	75,937	9.1%	18.3%	64.8%	7.8%
Broadway & Lillooet Licensee	100	90,713,793	5,513,639	1,566,142	2,314,320	686,910	946,267	28.4%	42.0%	12.4%	17.2%
Dunbar	102	9,429,578	999,930	69,747	348,610	536,864	44,709	7.0%	34.9%	53.6%	4.5%
Commercial Drive	111	9,709,186	1,417,753	100,685	266,835	947,698	102,535	7.1%	18.8%	66.9%	7.2%
Cardero	112	12,408,772	1,566,270	150,795	376,904	939,391	99,180	9.6%	24.1%	60.0%	6.3%
Collingwood	113	11,052,513	1,717,787	141,842	221,112	1,261,341	93,492	8.3%	12.9%	73.4%	5.4%
Broadway & Maple	117	15,183,886	1,911,144	148,756	482,886	1,175,570	103,932	7.8%	25.3%	61.5%	5.4%
Kingsgate Mall	123	7,950,471	1,412,696	83,230	153,379	1,100,141	75,946	5.9%	10.9%	77.8%	5.4%
Thurlow	129	20,950,887	2,099,675	205,306	559,009	1,204,015	131,345	9.8%	26.6%	57.3%	6.3%
Arbutus	136	4,906,056	457,135	56,085	194,637	184,317	22,096	12.3%	42.6%	40.3%	4.8%
Granville & 10th	141	2,775,280	326,371	27,507	95,288	186,229	17,347	8.4%	29.2%	57.1%	5.3%
18th & Cambie	146	4,371,023	555,462	43,880	130,811	340,974	39,797	7.9%	23.5%	61.4%	7.2%
39th & Cambie	160	41,465,653	3,450,735	392,774	1,124,508	1,738,767	194,686	11.4%	32.6%	50.4%	5.6%
8th & Cambie	177	6,631,258	791,090	66,811	211,764	464,914	47,601	8.4%	26.8%	58.8%	6.0%
Yaletown	191	3,430,042	343,761	31,675	102,274	192,143	17,669	9.2%	29.8%	55.9%	5.1%
UBC Marketplace	192	1,639,844	227,227	19,740	33,974	159,319	14,194	8.7%	15.0%	70.1%	6.2%
Champlain Mall	194	4,083,450	600,411	53,365	110,053	401,845	35,148	8.9%	18.3%	66.9%	5.9%
Kerrisdale	210	2,703,711	292,305	26,931	100,744	149,979	14,651	9.2%	34.5%	51.3%	5.0%
28th & Main	237	5,706,410	903,533	69,152	117,360	674,335	42,686	7.7%	13.0%	74.6%	4.7%
Broadway & Lillooet	300	5,962,371	969,386	59,817	143,926	727,900	37,743	6.2%	14.8%	75.1%	3.9%
West Vancouver Stores											
Ambleside	072	7,146,665	700,940	83,414	288,146	295,064	34,316	11.9%	41.1%	42.1%	4.9%
Caulfield	175	7,214,147	649,975	59,824	271,522	276,772	41,857	9.2%	41.8%	42.6%	6.4%
Park Royal	228	17,718,657	1,487,890	136,425	614,275	678,449	58,741	9.2%	41.3%	45.6%	3.9%
Whistler Stores											
Whistler Market Place	179	11,193,870	1,213,844	90,761	297,836	766,420	58,827	7.5%	24.5%	63.2%	4.8%
Whistler	302	7,366,906	940,631	86,940	137,386	658,940	57,365	9.2%	14.6%	70.1%	6.1%
White Rock	006	9,921,210	1,173,630	137,444	345,617	622,613	67,956	11.7%	29.4%	53.1%	5.8%
THOMPSON / OKANAGAN											
Armstrong	215	2,486,708	397,633	40,141	41,955	278,518	37,019	10.1%	10.6%	70.0%	9.3%
Ashcroft	002	910,190	163,655	12,337	13,566	125,697	12,055	7.5%	8.3%	76.8%	7.4%
Barriere	138	1,147,367	207,032	16,283	13,143	158,868	18,738	7.9%	6.3%	76.7%	9.1%
Cache Creek	060	1,200,665	201,642	17,745	17,406	141,954	24,537	8.8%	8.6%	70.4%	12.2%
Chase	226	4,050,517	535,021	74,417	76,118	278,735	105,751	13.9%	14.2%	52.1%	19.8%

2003/04 Store Sales by Region

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Number	Retail $	Litres	Spirits	Wine	Beer	Cider/ Coolers	Spirits	Wine	Beer	Cider/ Coolers
Kamloops Stores											
Thompson Park	021	2,732,430	373,533	48,671	57,698	239,005	28,159	13.0%	15.4%	64.1%	7.5%
Columbia Place	079	13,570,196	1,663,793	217,607	307,239	949,919	189,028	13.1%	18.5%	57.0%	11.4%
Valleyview	108	4,669,821	616,671	86,980	84,830	348,585	96,276	14.1%	13.8%	56.5%	15.6%
Westsyde	147	1,556,905	273,941	22,072	23,541	210,405	17,923	8.1%	8.6%	76.8%	6.5%
Kamloops North	223	10,812,318	1,699,087	181,451	165,557	1,171,830	180,249	10.7%	9.7%	69.0%	10.6%
Kelowna Stores											
Bernard	020	2,483,736	361,175	34,951	59,598	241,715	24,911	9.7%	16.5%	66.9%	6.9%
Gordon & Harvey	103	5,339,362	824,356	82,077	116,838	572,320	53,121	10.0%	14.2%	69.4%	6.4%
Westbank	143	9,902,015	1,408,369	166,324	207,577	888,253	146,215	11.8%	14.7%	63.1%	10.4%
Mission Park	148	7,422,348	1,040,737	102,822	204,485	663,411	70,019	9.9%	19.6%	63.8%	6.7%
Orchard Park	167	28,504,816	3,201,902	512,492	612,753	1,625,461	451,196	16.0%	19.1%	50.8%	14.1%
Willow Park	246	1,259,387	230,156	18,331	17,439	180,146	14,240	8.0%	7.6%	78.2%	6.2%
Keremeos	019	1,546,186	247,355	24,802	26,054	169,378	27,121	10.0%	10.5%	68.5%	11.0%
Logan Lake	139	692,595	108,112	12,005	11,972	77,414	6,721	11.1%	11.1%	71.6%	6.2%
Lumby	214	1,941,173	322,284	30,655	24,888	225,323	41,418	9.5%	7.7%	69.9%	12.9%
Lytton	209	614,549	117,213	7,136	10,806	87,846	11,425	6.1%	9.2%	75.0%	9.7%
Merritt	029	3,926,008	639,199	63,124	63,558	438,831	73,686	9.9%	9.9%	68.7%	11.5%
Oliver	069	3,228,503	496,435	53,294	57,679	336,222	49,240	10.7%	11.6%	67.8%	9.9%
Osoyoos	083	4,222,611	612,495	67,567	89,896	382,229	72,803	11.0%	14.7%	62.4%	11.9%
Penticton Stores											
Penticton - Martin St	039	5,801,784	787,163	102,476	119,550	486,708	78,429	13.0%	15.2%	61.8%	10.0%
Penticton Plaza	130	11,307,399	1,619,896	183,588	247,143	1,026,171	162,994	11.3%	15.3%	63.3%	10.1%
Princeton	037	2,549,030	427,763	37,606	39,873	308,857	41,427	8.8%	9.3%	72.2%	9.7%
Revelstoke	045	3,638,882	509,966	53,969	70,921	335,020	50,056	10.6%	13.9%	65.7%	9.8%
Salmon Arm	048	8,060,344	1,042,646	151,121	163,591	582,841	145,093	14.5%	15.7%	55.9%	13.9%
Sicamous	092	2,194,135	303,021	42,865	31,947	181,794	46,415	14.1%	10.5%	60.1%	15.3%
Summerland	086	4,049,642	641,540	57,183	90,122	446,913	47,322	8.9%	14.0%	69.7%	7.4%
Vernon Stores											
Vernon	062	7,069,647	920,456	124,901	159,260	533,710	102,585	13.6%	17.3%	58.0%	11.1%
Vernon Square	135	11,292,057	1,418,585	210,941	232,383	787,807	187,454	14.9%	16.4%	55.5%	13.2%
Winfield	166	4,552,170	691,761	72,016	90,449	465,244	64,052	10.4%	13.1%	67.2%	9.3%
KOOTENAY											
Castlegar	078	4,758,038	693,617	81,121	94,349	448,628	69,519	11.7%	13.6%	64.7%	10.0%
Cranbrook	009	9,657,749	1,445,201	166,860	163,536	984,024	130,781	11.5%	11.3%	68.2%	9.0%
Creston Valley	075	4,520,651	737,650	69,207	69,093	544,824	54,526	9.4%	9.4%	73.8%	7.4%
Elkford	131	727,191	119,374	12,345	7,698	91,566	7,765	10.3%	6.4%	76.8%	6.5%
Fernie	013	4,210,338	629,529	56,959	73,816	456,763	41,991	9.0%	11.7%	72.6%	6.7%
Fruitvale	095	1,165,748	221,855	13,449	19,626	173,175	15,605	6.1%	8.8%	78.1%	7.0%
Grand Forks	015	4,123,181	675,299	58,546	82,581	466,483	67,689	8.7%	12.2%	69.1%	10.0%
Greenwood	014	420,702	80,199	5,226	4,742	64,562	5,669	6.5%	5.9%	80.5%	7.1%
Invermere	017	5,660,551	751,327	83,216	124,363	450,058	93,690	11.1%	16.6%	59.8%	12.5%
Kaslo	018	1,418,401	254,977	15,509	27,652	191,639	20,177	6.1%	10.8%	75.2%	7.9%
Kimberley	066	3,259,041	507,525	49,428	62,866	357,163	38,068	9.7%	12.4%	70.4%	7.5%

2003/04 Store Sales by Region

Store Name	Number	Sales		Litre Product Mix				Litre Product Mix Percentage			
		Retail $	Litres	Spirits	Wine	Beer	Cider/ Coolers	Spirits	Wine	Beer	Cider/ Coolers
Nakusp	202	2,020,033	357,304	25,688	28,688	276,500	26,428	7.2%	8.0%	77.4%	7.4%
Nelson	032	9,103,786	1,225,120	128,575	218,719	750,388	127,438	10.5%	17.9%	61.2%	10.4%
New Denver	074	541,302	97,657	5,646	10,133	73,739	8,139	5.8%	10.4%	75.5%	8.3%
Radium	245	1,566,584	242,705	21,517	27,173	173,663	20,352	8.9%	11.2%	71.5%	8.4%
CARIBOO											
100 Mile House	221	5,943,178	822,085	107,506	127,190	495,229	92,160	13.1%	15.5%	60.2%	11.2%
MacKenzie	106	2,350,401	378,252	39,472	23,297	286,350	29,133	10.4%	6.2%	75.7%	7.7%
McBride	026	802,766	142,251	11,529	8,141	115,106	7,475	8.1%	5.7%	80.9%	5.3%
Prince George Stores											
Hart Highway	114	3,508,877	579,596	58,329	41,674	443,487	36,106	10.1%	7.2%	76.5%	6.2%
10th Avenue	126	9,912,665	1,614,118	155,680	143,320	1,202,178	112,940	9.6%	8.9%	74.5%	7.0%
College Heights	154	3,921,661	639,243	58,269	63,765	473,157	44,052	9.1%	10.0%	74.0%	6.9%
Parkwood Place	174	12,708,970	1,657,095	226,310	260,539	914,578	255,668	13.7%	15.7%	55.2%	15.4%
Quesnel	043	7,218,128	957,317	142,873	127,522	566,160	120,762	14.9%	13.3%	59.2%	12.6%
Valemount	096	1,239,248	188,146	16,644	20,581	137,965	12,956	8.8%	10.9%	73.4%	6.9%
Williams Lake	063	8,652,208	1,102,562	174,060	173,131	592,637	162,734	15.8%	15.7%	53.7%	14.8%
NORTH COAST											
Hazelton	227	1,324,110	265,483	14,400	11,579	209,940	29,564	5.4%	4.4%	79.1%	11.1%
Kitimat	213	3,220,103	531,642	44,281	65,085	388,825	33,451	8.3%	12.2%	73.2%	6.3%
Massett	105	1,758,500	303,199	20,510	34,061	229,927	18,701	6.8%	11.2%	75.8%	6.2%
Prince Rupert	035	5,979,390	860,053	99,753	107,102	575,663	77,535	11.6%	12.5%	66.9%	9.0%
Queen Charlotte City	211	1,607,731	264,206	19,942	27,215	199,679	17,370	7.5%	10.3%	75.6%	6.6%
Stewart	047	402,447	64,897	6,191	6,599	48,117	3,990	9.5%	10.2%	74.2%	6.1%
Terrace	052	8,278,146	1,255,470	131,027	156,154	827,710	140,579	10.4%	12.4%	66.0%	11.2%
NECHAKO											
Burns Lake	073	2,287,047	341,345	41,221	33,943	233,740	32,441	12.1%	9.9%	68.5%	9.5%
Fort St. James	248	1,859,523	296,267	31,008	22,793	215,419	27,047	10.5%	7.7%	72.7%	9.1%
Fraser Lake	091	976,349	160,637	15,395	13,125	119,200	12,917	9.6%	8.2%	74.2%	8.0%
Houston	099	1,774,934	280,061	29,821	18,379	202,897	28,964	10.6%	6.6%	72.5%	10.3%
Smithers	046	4,968,351	711,906	78,617	97,526	466,484	69,279	11.0%	13.7%	65.6%	9.7%
Vanderhoof	081	2,469,467	377,851	41,372	39,296	258,632	38,551	10.9%	10.4%	68.5%	10.2%
PEACE RIVER											
Chetwynd	238	2,062,537	334,694	35,244	20,309	247,996	31,145	10.5%	6.1%	74.1%	9.3%
Dawson Creek	212	5,970,435	910,765	105,286	84,669	627,906	92,904	11.6%	9.3%	68.9%	10.2%
Fort Nelson	222	4,566,583	530,499	107,527	40,674	328,353	53,945	20.3%	7.7%	61.8%	10.2%
Fort St. John	003	10,588,370	1,339,813	227,156	120,964	825,204	166,489	17.0%	9.0%	61.6%	12.4%
Hudson Hope	234	643,714	120,436	8,161	6,749	97,925	7,601	6.8%	5.6%	81.3%	6.3%
Tumbler Ridge	169	759,568	117,923	13,923	8,678	84,362	10,960	11.8%	7.4%	71.5%	9.3%
GRAND TOTAL		**1,463,136,610**	**188,277,938**	**21,525,987**	**35,341,297**	**114,337,592**	**17,073,062**	**11.4%**	**18.8%**	**60.7%**	**9.1%**

Appendices

Appendix A - Departmental Descriptions

The LDB is a retailer and wholesaler that purchases, distributes and sells beverage alcohol. Following are the LDB's key operating departments.

Retail Services

The Distribution department, along with Store Operations, Merchandise Services and Property Management, comprises Retail Services.

Distribution

Distribution is responsible for processing more than nine million cases of beverage alcohol annually through its two distribution centres located in Vancouver and Kamloops. The department serves both retail and wholesale customers, which include government liquor stores, rural agency stores, licensee retail stores, private wine stores, and three other liquor jurisdictions in northern Canada.

Store Operations

The Store Operations department manages 220 government liquor stores throughout the province and administers and supports customer service and sales activities within the stores, including the responsible retailing of beverage alcohol. The department oversees the Rural Agency Store program, in which the LDB authorizes small general merchandise or grocery stores to retail alcohol in remote and rural communities where it is not viable for a government liquor store to operate.

Merchandise Services

The responsibilities of Merchandise Services include the purchasing of the beverage alcohol products approved for sale in British Columbia. The department manages the inventory of products sold in LDB stores by monitoring daily market and sales trends in order to forecast inventory volume and prevent product stockouts. The department is also responsible for product promotions in government liquor stores and works with suppliers and manufacturers, as well as store staff, to provide feature products and product information to enhance customer service. Suppliers can apply for space to promote a product or a range of products in government liquor stores, based on criteria such as rate of sale, seasonal appropriateness, and compliance with policy guidelines for advertising beverage alcohol. Merchandise Services also develops and publishes a monthly price list, the quarterly Matters of Taste magazine, and product content and information for the branch's website www.bcliquorstores.com.

Property Management

The Property department is responsible for the administration and maintenance of the LDB's leased and owned store premises, distribution centres and administrative offices. Property Management is responsible for enhancing customer service by developing new store locations and upgrading existing properties.

Loss Prevention

This department is responsible for developing, implementing and administering diverse and comprehensive security policies and programs. Loss Prevention optimizes protection of public financial assets, personnel and the general public.

Legal Services

The Legal Services department provides legal advice to the LDB and directs the Information and Privacy program. The responsibilities of the Information and Privacy Office include responding to public requests for LDB business information; advising on privacy issues, administering, controlling and preserving LDB records; and providing a sales data service to LDB industry partners such as suppliers, agents, industry associations, private retailers and departments of government.

Corporate Policy

The Corporate Policy department researches and provides advice on corporate liquor policy issues and liaises with other government organizations on cross-jurisdictional issues.

Finance

The responsibilities of Finance include the development and implementation of branch programs for effective financial control of assets, revenues and expenditures; the preparation and monitoring of revenue, expense and capital budgets; accounting for and reporting on branch operations in accordance with generally accepted accounting principles; and the provision of financial analyses, information and advice as may be required by the LDB.

As well as reporting on the LDB's financial performance, this department includes an audit division which ensures accountability to taxpayers and monitors LDB transactions with its business partners.

Corporate Initiatives and Change Strategy

The Corporate Initiatives and Change Strategy department is responsible for the co-ordination of LDB strategic planning activities. The formal Service Plan is developed in accordance with the Budget Accountability and Transparency Act and guidelines established by the provincial government's Crown Agencies Secretariat. The Service Plan sets the strategic direction and details objectives, strategies and performance measures for the LDB over a three-year period.

During 2003/04 the department coordinated LDB participation in the Liquor Reform Project. (The Liquor Reform Project began in July 2003 to help determine the future role of government in the sale and distribution of liquor in British Columbia and to guide implementation of any changes adopted by government.)

This department is also responsible for the Special Retail Programs and Communications functions of the LDB.

Special Retail Programs

Special Retail Programs oversees retail operating authorizations with a number of private liquor retailers licensed by the Liquor Control and Licensing Branch, including 124 British Columbia liquor manufacturer stores, 12 independent wines stores, 10 duty-free stores and 431 licensee retail stores. The authorizations govern such items as the customers to whom these retailers may sell, the products they may carry for sale, remuneration and reporting requirements.

Communications

Communications is responsible for the planning and execution of all internal and external communications, public relations, media relations and social responsibility awareness programs. The department develops a variety of corporate publications, including stakeholder newsletters, information materials and the LDB's annual reports and service plans.

Appendices

Information Services

The Information Services Department is responsible for determining the technologies used by the LDB, establishing standards, and managing technology costs. The department manages the selection, design, development, security, implementation, maintenance and revision of the electronic data processing and information systems that assist in achieving LDB goals.

Human Resources

Personnel

This department provides human resources services related to recruitment and selection, employee training and development, labour relations, classification and compensation, leaves and benefits administration, organizational development, occupational health and safety, employee counselling and human resources planning. These services ensure the provision of a qualified, competent, stable and productive workforce, a key element in meeting the goals and objectives of the LDB.

Training & Development

Training and Development is responsible for providing solutions that promote learning, employee development and the effective management of change in support of corporate goals. This is achieved by a core group of internal instructors and support staff, with some assistance provided by regional trainers.

The division identifies ongoing and emergent training needs, and provides curriculum development, course delivery, and evaluation of training programs and initiatives. Training and Development also provides performance consulting and facilitation services to departments requesting assistance with problem identification and resolution, process mapping, team building, conflict resolution, and performance and career coaching.

Appendix B - Executive Organization

The LDB senior management, as of March 31, 2004, includes:

General Manager*
Jay Chambers

Executive Administrative Assistant
Cindy Dahlke

Executive Director, Finance*
Roger Bissoondatt

Executive Director, Retail Services*
Kelly Conrad

Legal Counsel*
Catherine Sloan

Executive Director, Human Resources*
Conny Nordin

Director, Store Operations
Gord Zelenika

Director, Distribution
Brian Tuckey

Director, Loss Prevention*
Donna Morse

Director, Merchandise Services
Michael Procopio

Director, Information Services*
Don Farley

Executive Director, Corporate Initiatives and Change Strategy*
Charlie Ruddick

Director, Corporate Policy*
Gordon Hall

Chief Auditor
Rita Bittel

Manager, Communications
Kate Pasieka

* Members of the Executive Management Committee

Appendix C – LDB Beer Sales by Country of Origin – Top 10

Category	Sales in ($000) 2003/04	2002/03	2001/02	2000/01	$ Change vs Prev Year	% Change vs Prev Year
Canada	787,958	750,634	733,963	726,228	37,324	4.97%
Mexico	34,002	32,575	28,026	24,602	1,427	4.38%
United States	29,644	25,651	20,445	8,462	3,993	15.57%
Holland	16,719	15,078	13,850	11,552	1,641	10.88%
Germany	10,528	9,343	7,243	6,158	1,185	12.68%
Ireland	8,646	8,166	8,496	8,371	480	5.88%
Belgium	8,345	5,369	3,021	1,441	2,976	55.43%
Brazil	5,360	91	0	0	5,269	5,790.11%
England	2,588	2,637	2,487	2,485	(49)	(1.86%)
Czech Republic	1,533	1,422	1,139	1,045	111	7.81%

Category	Sales in Litres (000s) 2003/04	2002/03	2001/02	2000/01	Volume Change vs Prev Year	% Change vs Prev Year
Canada	240,263	235,044	237,868	243,321	5,219	2.22%
United States	7,721	7,073	5,857	2,608	648	9.16%
Mexico	7,398	7,162	6,341	5,633	236	3.30%
Holland	3,547	3,198	3,021	2,521	349	10.91%
Germany	2,592	2,329	1,742	1,449	263	11.29%
Ireland	1,949	1,876	1,967	1,953	73	3.89%
Belgium	1,773	1,159	661	315	614	52.98%
Brazil	1,096	19	0	0	1,077	5,668.42%
England	557	574	562	560	(17)	(2.96%)
Czech Republic	373	343	281	282	30	8.75%

Appendix D – Imported Beer Top 10 Growth Brands ($000)

Brand Name	2003/04	2002/03	$ Change vs Prev Year	% Change vs Prev Year
A Marca Bavaria (BRA)	5,360	91	5,269	5,790.11%
Miller Genuine Draft (US)	25,934	22,389	3,545	15.83%
Stella Artois (BEL)	7,342	4,731	2,611	55.19%
Heineken Lager (HOL)	15,269	13,912	1,357	9.75%
Corona Light (MEX)	1,009	249	760	305.22%
Corona Extra (MEX)	29,286	28,601	685	2.40%
Guinness Pub Draught (IRE)	2,901	2,255	646	28.65%
Stroh - Colt 45 Malt Liquor (US)	1,006	615	391	63.58%
Beck's (GER)	3,970	3,637	333	9.16%
Dab Original Tall Can (GER)	652	443	209	47.18%

Source: LDB Data Warehouse for Appendices C – M

Appendix E – Top 10 Spirit Growth Brands

Category	Sales in ($000) 2003/04	2002/03	2001/02	2000/01	$ Change vs Prev Year	% Change vs Prev Year
Vodka	135,887	126,306	115,195	111,191	9,581	7.59%
Whisky - Canada	114,784	112,347	107,177	105,945	2,437	2.17%
Rum	91,590	87,733	83,310	82,229	3,857	4.40%
Liqueurs	92,531	90,742	87,745	83,456	1,789	1.97%
Whisky - Scotch	48,460	47,386	47,009	46,314	1,074	2.27%
Gin	28,105	26,489	24,325	23,598	1,616	6.10%
Brandy	13,481	13,324	13,315	13,214	157	1.18%
Tequila	10,098	9,027	7,973	9,693	1,071	11.86%
Whisky - Others	8,240	7,724	6,989	6,443	516	6.68%
Cognac/Armagnac	3,975	3,883	3,805	4,175	92	2.37%

Category	Sales in Litres (000s) 2003/04	2002/03	2001/02	2000/01	Volume Change vs Prev Year	% Change vs Prev Year
Vodka	5,825	5,458	5,004	4,846	367	6.72%
Whisky - Canada	4,680	4,612	4,438	4,404	68	1.47%
Rum	3,941	3,791	3,636	3,587	150	3.96%
Liqueurs	3,371	3,348	3,271	3,126	23	0.69%
Whisky - Scotch	1,430	1,377	1,358	1,343	53	3.85%
Gin	1,110	1,058	994	964	52	4.91%
Brandy	566	564	561	551	2	0.35%
Whisky - Others	259	246	225	207	13	5.28%
Tequila	250	206	176	287	44	21.36%
Cognac/Armagnac	42	41	40	42	1	2.44%

Appendix F – Spirits Top 10 Growth Brands ($000)

Brand Name	2003/04	2002/03	$ Change vs Prev Year	% Change vs Prev Year
Polar Ice Vodka (CAN)	8,450	6,178	2,272	36.78%
Smirnoff - Red Label Vodka (CAN)	41,117	39,109	2,008	5.13%
Gibsons - Finest Canadian Whisky (CAN)	11,681	10,165	1,516	14.91%
Cuervo - Especial Gold Tequila (MEX)	6,732	5,339	1,393	26.09%
Alberta Vodka (CAN)	12,522	11,278	1,244	11.03%
Captain Morgan - Spiced Rum (CAN)	5,992	4,878	1,114	22.84%
Bacardi White Rum (CAN)	32,334	31,230	1,104	3.54%
Jagermeister (GER)	3,329	2,258	1,071	47.43%
Crown Royal Canadian Whisky (CAN)	24,937	23,882	1,055	4.42%
Stolichnaya Vodka (RUSSIA)	5,313	4,274	1,039	24.31%

Appendices

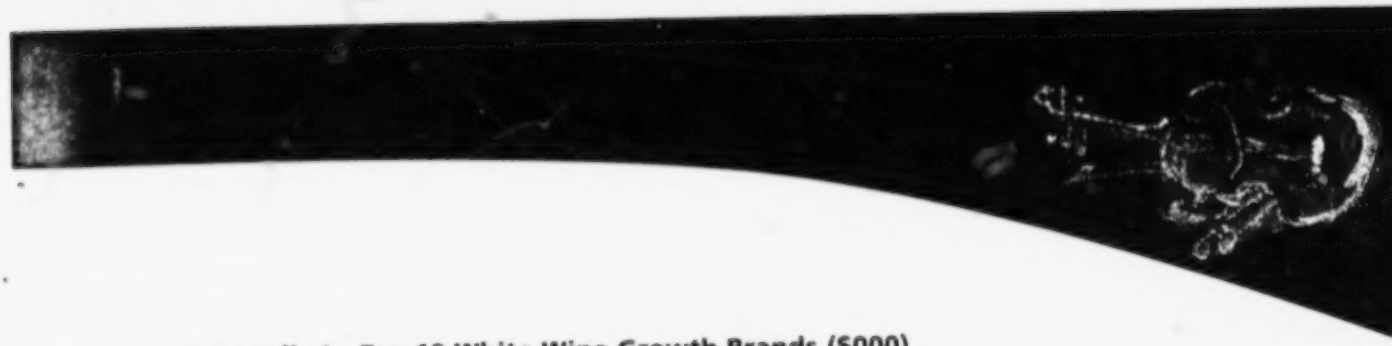
Appendix G – Top 10 Wine Producing Countries by Sales

Sales in ($000) Category	2003/04	2002/03	2001/02	2000/01	$ Change vs Prev Year
Canada	189,832	178,885	162,188	144,009	10,947
Australia	76,370	57,317	46,601	38,986	19,053
United States	46,286	46,736	48,600	52,410	(450)
Italy	40,782	39,325	33,157	30,482	1,457
France	32,104	32,503	32,951	31,172	(399)
Chile	27,835	29,059	30,545	29,586	(1,224)
South Africa	7,419	6,722	6,607	5,950	697
Spain	5,710	4,478	4,645	3,529	1,232
Argentina	5,006	3,970	4,424	3,891	1,036
Germany	4,979	4,755	4,663	4,623	224

Sales in Litres (000s) Category	2003/04	2002/03	2001/02	2000/01	$ Change vs Prev Year
Canada	18,762	17,857	16,818	15,282	905
Australia	4,977	3,690	3,006	2,612	1,287
United States	3,463	3,585	3,894	4,080	(122)
Italy	3,321	3,241	2,732	2,604	80
Chile	2,531	2,651	2,780	2,753	(120)
France	2,085	2,332	2,424	2,385	(247)
South Africa	593	540	537	491	53
Spain	440	327	346	253	113
Argentina	438	323	356	300	115
Germany	437	425	425	432	12

Appendix H – Top 10 Red Wine Growth Brands ($000)

Name	2003/04	2002/03	Change
Shiraz - Yellow Tail 01&02 (AUS)	5,477	791	4,686
Merlot - Yellow Tail 02/03 (AUS)	1,532	0	1,532
Sangiovese - Farnese Daunia (ITALY)	6,433	5,413	1,020
Cabernet Sauvignon - Wolf Blass Yellow Label (AUS)	5,447	4,676	771
Nuviana Tinto - Codorniu 01/02 (SPAIN)	744	40	704
Cabernet Sauvignon - Yellow Tail 2003 (AUS)	631	0	631
Shiraz Cabernet - Garnet Point 2002 (AUS)	745	132	613
Nero (CAN)	1,737	1,155	582
Sangiovese Merlot - Vinicola Del Sannio Benevento 2001 (ITALY)	486	0	486
Shiraz - Wolf Blass Eaglehawk 02/03 (AUS)	470	0	470



Appendix I – Top 10 White Wine Growth Brands ($000)

Name	2003/04	2002/03	Change
Chardonnay - Yellow Tail 2002 (AUS)	1,545	282	1,263
Sola (CAN)	1,900	1,148	752
Chardonnay - Lindemans Bin 65 (AUS)	3,192	2,623	569
Sawmill Creek - Barrel Select (CAN)	3,638	3,070	568
Trebbiano d'Abruzzo - Farnese 2001 (ITALY)	735	210	525
Peller Estates - Proprietors Reserve Chardonnay (CAN)	496	0	496
Jackson Triggs - Proprietors Selection Sauvignon Blanc (CAN)	2,624	2,146	478
Burrowing Owl - Pinot Gris 01/02 (CAN)	979	502	477
Chardonnay - Nottage Hill 2002 (AUS)	419	0	419
Domaine d'Or (CAN)	4,874	4,465	409

Appendix J – Top 10 B.C. VQA Brands ($000)

Brand Name	2003/04	2002/03	2001/02	2000/01	$ Change	% Change
Mission Hill Cabernet Merlot	1,380	1,325	1,084	613	55	4.15%
Mission Hill Pinot Grigio	1,081	688	294	108	393	57.12%
Gray Monk Latitude Fifty White	0	0	0	0	0	%
Sumac Ridge Private Reserve Gewurztraminer	1,050	915	797	683	135	14.75%
Burrowing Owl Pinot Gris	1,032	502	461	490	530	105.58%
Tinhorn Creek Merlot	1,024	1,038	816	536	(14)	(1.35%)
Mission Hill Reserve Chardonnay	0	0	0	0	0	%
Burrowing Owl Merlot	817	781	798	661	36	4.61%
Gray Monk Pinot Gris	790	851	585	544	(61)	(7.17%)
Pinot Blanc Mission Hill	758	717	680	616	41	5.72%

Appendix K – Top 10 Australian Brands ($000)

Brand Family	2003/04	2002/03	2001/02	2000/01	$ Change	% Change
Wolf Blass	10,460	9,278	7,206	5,490	1,182	12.74%
Lindemans	9,209	7,603	6,636	5,476	1,606	21.12%
Yellow Tail	8,553	1,073	0	0	7,480	697.11%
Wyndham Estate	4,773	4,515	4,208	3,359	258	5.71%
Banrock Station	4,706	3,846	2,555	2,018	860	22.36%
Rosemount	4,426	4,196	3,637	2,935	230	5.48%
Penfold	3,580	3,074	2,064	1,662	506	16.46%
Nottage	2,561	2,505	2,059	1,941	56	2.24%
Long Flat	2,167	2,486	2,312	2,184	(319)	(12.83%)
Gold Coast	1,816	1,693	1,368	1,430	123	7.27%

Appendices

Appendix L – Top 10 Refreshment Beverage Brands ($000)

Brand Name	2003/04	2002/03	$ Change vs Prev Year	% Change vs Prev Year
Smirnoff Ice	14,344	19,896	(5,552)	(27.91%)
Growers Extra Dry Apple	3,950	3,873	77	1.99%
Mike's Hard Lemonade	3,119	3,730	(611)	(16.38%)
Growers Natural Peach	3,098	3,005	93	3.09%
Smirnoff Ice Triple Black	2,889	-	2,889	-
Extra Hard Glacier Berry	2,439	2,770	(331)	(11.95%)
Bacardi Breezer Tropical Orange	2,266	-	2,266	-
Okanagan Premium Crisp Apple	2,142	2,002	140	6.99%
California Cooler Orange	2,036	2,043	(7)	(0.34%)
Growers Red Ruby Grapefruit	1,927	1,146	781	68.15%

Appendix M – Top 10 Beverage Growth Brands ($000)

Brand Name	2003/04	2002/03	$ Change vs Prev Year	% Change vs Prev Year
Smirnoff Ice Triple Black	2,889	-	2,889	-
Bacardi Breezer Tropical Orange	2,266	-	2,266	-
Smirnoff Ice Can	1,839	-	1,839	-
Vex Hard Kiwi Mango Lemonade	1,616	-	1,616	-
Mike's Hard Limonade	1,071	3	1,068	35,600.00%
Pur Source	837	-	837	-
Growers Red Ruby Grapefruit	1,927	1,146	781	68.15%
Woody's Pink Grapefruit (UK)	923	163	760	466.26%
Vodka Mudshakes Iced Cappuccino (NZ)	616	-	616	-
Vodka Mudshakes Chocolate (NZ)	608	-	608	-

Note: All refreshment beverages listed are Canadian unless otherwise indicated

Glossary

Alternative Distribution Project
One of the initial directives resulting from the Liquor Distribution Branch Core Services Review was to develop and implement a model whereby all beverage alcohol is distributed by private sector warehousers.

Agent
An individual, partnership or company representing a supplier in accordance with a letter of authorization accepted by the LDB, or an individual who is duly licensed pursuant to section 52 of the Liquor Control and Licensing Act to represent an authorized agent.

Beer
A low-strength, alcoholic beverage made by fermenting a mash of malted grain, usually barley.

Beverage Alcohol
Any potable liquid containing 0.5 to 99.9 per cent ethyl alcohol by volume.

Beverage Container Stewardship Program
A program to collect and recycle deposit-bearing containers in support of provincial environmental regulations. Customers may return their wine and spirit containers and non-refillable beer, cider and cooler bottles to any government liquor store in British Columbia.

Brewery
An establishment licensed to manufacture beer.

Brew Pub
An establishment licensed to manufacture beer that can be sold in an attached pub.

Business Continuity Plans
Plans for the LDB remaining in business following the recovery from a natural disaster or other emergency events. These plans are updated frequently with specific measures and targets for tracking the updates.

Business Objective
A measurable target or goal set out during the LDB's strategic planning process.

Capital Assets
An asset, whether tangible or intangible, intended for use by the LDB for more than a single fiscal year. Tangible assets have a physical identity such as land, buildings and equipment. Intangible assets do not have a physical identity (e.g. goodwill).

Capital Expenditures
Money spent to acquire or upgrade capital assets.

CHIPS
The Corporate Human Resource Information and Payroll System is the provincial government's software application designed to maintain human resource information, track leave management entitlements and transactions, and process payroll for government employees.

Cider
A beverage made from fermented fruit juice.

Cooler
Also known as refreshment beverages, these mixed, ready-to-serve drinks contain seven per cent or less alcohol by volume. Refreshment beverages contain fruit juice, artificial flavouring, flavouring preparation, water, mineral water and/or carbon dioxide, which are added to a base of beer, wine, spirit or cider.

Consignment Agency Store
Stores operated by British Columbia beverage alcohol manufacturers, such as breweries, commercial wineries and distilleries, where the LDB owns the inventory.

Core Products
Those products attaining $2 million or more in annual sales.

Deregulation
One of the requirements of the Province of British Columbia's Three Year Deregulation Plan is for the branch to reduce the number of administrative and regulatory requirements imposed upon liquor industry stakeholders by administrative policies and governing legislation.

Distillery
Establishments licensed to manufacture distilled liquor products such as whiskey, rum, vodka, gin and liqueurs.

Distribution Centre
A branch-operated warehouse that is used for liquor storage. The LDB has one distribution centre in Kamloops and one in Vancouver.

Draught Beer
Beer that is dispensed from kegs.

Emergency Procedures
The branch has a variety of contingency plans for reaction and recovery following a natural disaster or other emergency event. The plans include employee, customer and stakeholder safety as well as business continuity.

Enterprise Business Intelligence
This is an ongoing technology project which will enable LDB managers and executives to manage efficiencies and maximize revenues through the timely delivery and analysis of business information in a variety of categories.

Fiscal Year
The start and end of the year for business and financial purposes. The LDB's fiscal year runs from April 1 – March 31.

Four Pillars
For the LDB's strategic planning process prior to the Core Services Review announcement, strategies and goals were developed around the four pillars of Customer Experience, Business Effectiveness, Workplace Quality and Employee Excellence, and Public Safety and Social Responsibility, which in turn supported Financial Performance.

FTE
The equivalent of one person working 1,827 hours in one year.

Government Liquor Store (GLS)
The retailing arm of the LDB, these government-owned and operated liquor stores sell beverage alcohol to the general public. They are also referred to as BC Liquor Stores (BCLS).

Gross Margin
Excess of sales over the inventory cost of the goods sold. Also called gross profit and can be expressed as a percentage of sales.

Gross Sales
The total amount of revenue brought in through sales by the LDB for the corresponding fiscal year.

Independent Wine Store
A stand-alone wine store that sells imported and domestic wine, cider and wine coolers.

Inventory Turnover
Inventory turnover ratio expresses the relationship between the cost of goods sold (or used) and the average inventory balance. It indicates the number of times the average inventory is sold during the year.

Licensee Retail Store (LRS)
Commonly known as cold beer and wine stores, these private outlets are licensed to liquor primary licence holders by the Liquor Control and Licensing Branch to sell wine, beer, cider, coolers and spirits, to the public.

Liquor Control and Licensing Branch (LCLB)
In British Columbia, the Liquor Control and Licensing Branch issues licenses for manufacturing and selling liquor and supervises the service of liquor in licensed establishments.

Liquor Distribution Branch (LDB)
The government organization, reporting to the Ministry of Public Safety and Solicitor General, responsible for the importation, warehousing, distribution and retailing of beverage alcohol in the province of British Columbia.

Liquor Reform Project
The Liquor Reform Project began in July 2003 to help determine the future role of government in the sale and distribution of liquor in British Columbia and to guide implementation of any changes adopted by government.

Net Income
The total amount of profit that the LDB made in the corresponding fiscal year.

Operating Expenses
Expenses arising in the course of running a business.

Operating Income
Income earned from operations.

Packaged Beer
Any type of beer that is sold in cans or bottles.

The Payroll Personnel Integrated Information System (PPIIMS)
PPIIMS is the LDB's software application used to manage time collection, payroll and HR functions that include base benefits, occupational health & safety, labour relations, position management and training.

Private Wine Store
A private retail store, appointed under the Liquor Distribution Act, that sells wine. Most stores are operated by British Columbia wineries.

Product Recall
The withdrawal of products from sale. All retailers must be prepared for the eventuality of product recall due to identified health and safety related hazards inherent in the product.

Glossary

Public Safety
The results of the Core Services Review charges the LDB with the responsibility of managing the beverage alcohol distribution and retailing system in such a way that maximum public safety relative to the use of the product is ensured. This includes ensuring beverage alcohol is not sold to minors or intoxicated persons, and ensuring that the public is made aware of areas of risk such as alcohol and pregnancy.

Retail Customers
Customers who buy beverage alcohol in government liquor stores. These purchases represent 54 per cent of LDB total sales.

Refreshment Beverages
Includes ciders and coolers with alcohol contents of less than or equal to seven per cent.

Retail Management System (RMS)
The point-of-sale system, including cash registers and scanners, used to process transactions in all government liquor stores.

Rural Agency Stores (RAS)
RASs provide retail liquor sales to underserved communities, augmenting liquor retail service in rural and resort communities. In conjunction with or as part of a general merchandise store, they sell all types of beverage alcohol to the public.

Spirit
Any alcoholic beverage that has been distilled. Spirits include whisky, vodka, rum, tequila, gin and brandy.

Stockout Reports
Stockouts happen when the shelf space allocated to a certain core product is found to be empty. The target objective for government liquor stores is zero stockouts.

Service Plan
The LDB's three-year corporate plan that sets out business objectives with targets to be met each year.

Short Term Illness and Injury Plan (STIIP)
STIIP is designed to continue paying a portion of the earnings of regular employees employed by the government of British Columbia in the event that they are unable to work due to illness or injury.

Supplier
A supplier is a manufacturer who provides beverage alcohol products to the LDB, who must reside in Canada and be duly licensed to manufacture or blend liquor.

Supply Chain Management
Supply Chain Management involves working closely with industry partners to ensure a sufficient supply of core products and intensively managing stock levels of core products to ensure there are no government liquor store shelf stockouts.

Tourist Wine Shop
A tourist-oriented business that sells wines made only from 100 per cent British Columbia-grown grapes. The only tourist wine shop is located at the Victoria Cruise Ship terminal.

Ubrew/Uvin
A business which provides the facilities, equipment and ingredients for patrons to make their own beer, wine, cider or coolers.

Vintners Quality Alliance (VQA)
A quality designation for wines administered by the British Columbia Wine Institute. British Columbia VQA wines are made entirely from grapes grown in British Columbia and are certified by a panel of experts.

Wine
An alcoholic beverage obtained by the fermentation of grapes or other fruit.

Winery Agency Store
A commercial winery appointment that allows their products to be sold off-site at separate British Columbia brewery locations.

Wholesale Customers
Wholesale customers are those stores and licensed establishments that buy beverage alcohol from the LDB for resale. These sales represent 46 per cent of total LDB sales.

Workers Compensation Board (WCB)
WCB provides for financial, medical and rehabilitation assistance to workers who become disabled by occupational injury and disease.

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